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ABSTRACT

This policy brief looks at educational finance from the perspective of educators and policymakers in rural and urban districts in the North Central Regional Educational Laboratory (NCREL) region. The region includes Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin. A review of the contributions submitted by regional educators indicates that there were more similarities than differences among rural and urban school districts. Both groups engaged in partnerships, collaborative program delivery, strategic planning, new governance structures, and both recognized the need for flexibility in funding. A district's resources, history, and location affected its responses to financial dilemmas more than its urban-rural status. However, school safety was a greater concern for urban districts, and distance learning and technology were of concern primarily to rural districts. The first sections include: (1) "Demographic and Economic Changes Facing Schools in the North Central Region" (James G. Ward); (2) "Changes in Demographics and Economics in Rural and Urban Settings: Impact on Rural Schools" (Joseph J. D'Amico); and (3) "Hard Times Getting Harder in Urban School Districts" (Lynn J. Stinnette). A total of 32 rural-district and 8 urban-district profiles are offered in the fourth and fifth sections by Nancy Fulford and Louise Dieterle. The final section contains five brief commentaries: (1) "Despite the Gloomy Scenario, The Future May Hold Some Surprises" (E. Robert Stephens); (2) "The Vision: Collaboration, Standards, Technology" (Vernae Hasbargen); (3) "Funding High-Quality Public Education: The Illinois Dilemma" (Richard D. Laine and William L. Hinrichs); (4) "Rural and Urban Contrasts Still Lead to a Shared Reality" (William Marx); and (5) "Finance in Education" (Douglas Haselow and Robert C. Jasna). A chart shows solutions to demographic/economic changes in urban and rural areas. Seven figures and four tables are included. (LMI)

ED 384 121

Report 1, 1995

Policy Briefs

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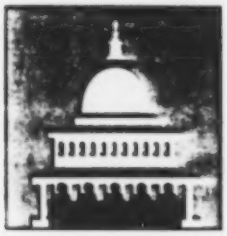

Policy Briefs are reports on the status of current issues in education from a national perspective, descriptions of actions and agendas in the NCREL region, commentaries by experts from their particular point of view, and resources for further information.

Rural and Urban School Finance: *Districts and Experts Speak Out*

Editor's Note: *Financing public education is an important issue for all of us. It affects not only our personal finances through taxes, but also the quality and equity of the education that our children and grandchildren receive, the quality of life of future generations, and the ability of our nation to be a leader in a rapidly changing global society.* ***Policy Briefs*** *must deal with this issue—no matter how controversial or difficult it may be—or risk neglecting a very important piece of the educational research pie in NCREL's seven-state region (Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin).*

Education finance issues are filling the daily news, the scholarly journals, and the courts. But our society has yet to find a perfect solution that accommodates everyone and is easy to implement. What, then, can we say to clarify these issues and bring the nation closer to workable solutions? What do policymakers need to hear and consider when they are making the difficult educational funding decisions that seem to grow more difficult every day?

This edition of ***Policy Briefs*** *looks at education finance through the eyes of those who must deal with funding dilemmas on a daily basis—educators and policymakers in rural and urban districts in the NCREL region. It also offers reactions to these districts' approaches from a variety of experts.*

In order to preserve the integrity and richness of each contributor's opinions and to provide a realistic, grassroots look at the issues, we have included these comments primarily as they were submitted, without modifying them to fit our interpretation or emphasis. These grassroots perspectives may vary or even oppose one another; nevertheless, they are instructive, especially because we see that no matter how large the problem may be, the solution always must focus on children and the quality of education that we can provide. We are touched by the courage and concerns of each contributor.

When we began working on this ***Brief,*** *we were following a hunch that there might be more similarities than differences among rural and urban school*

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districts in the changes and accompanying financial dilemmas that they face. We have since learned that our hunch was right. Common themes and approaches, such as partnerships, collaboration in program delivery, strategic planning, and new governance structures, appear in both rural and urban districts, along with the need for flexibility in funding to meet individual district needs. Specific responses to a given problem depend less on the rural/urban classification of a particular district than on other factors, such as resources, history, and location. Still, we are not suggesting that the problems and solutions in rural and urban districts are identical. School safety was a greater concern for urban districts, while distance learning and technology were of concern primarily to rural districts.

NCREL is extremely grateful to all of the contributors and reviewers who took the time to respond thoughtfully and willingly to our request for information and involvement in this report. The individual processes that we used to collect specific information are described in the appropriate areas within the ***Brief.***

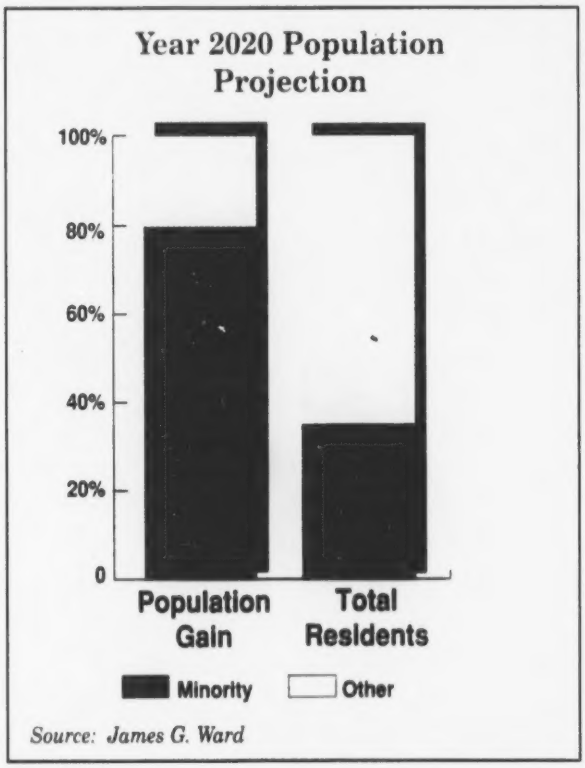
Overview

Demographic and Economic Changes Facing Schools in the North Central Region

by James G. Ward, University of Illinois at Urbana-Champaign

Schools do not exist in a vacuum, but are affected by social changes going on in the world around them. Just as the needs of immigrant children created large, complex school systems in the late 19th century, the needs of an industrialized nation resulted in vocational and technical programs in this century. The civil rights movement made us aware of equity concerns, and schools now face pressure to change from a society experiencing profound demographic and economic changes. This overview identifies some of those demographic and social changes and explores their implications for financing public schools in the north central region.

Immigration. While the problems of illegal immigration to the United States have generated headlines, it is the steady increase of both legal and illegal immigrants that has transformed many communities and their schools from St. Paul to Chicago and from Detroit's suburbs to Wausau, Wisconsin. After a period of low immigration, the past decade has seen increased immigration, dominated by new arrivals from Latin America and Asia. Recent immigrants tend to be younger than the population at large and have younger children and larger families. As the proportion of the population that is Hispanic and Asian grows, public schools are enrolling more students who have limited English proficiency and often are poor. Because of these trends in immigration and other factors, almost 80 percent of the total population gain in the United States by 2020 will occur among minority groups. Indeed, by 2020, more than one-third of all U.S. residents will be minority group members, and much of this increase will be the result of recent immigration.



Source: James G. Ward

Poverty. Poverty is growing, particularly among children, and public school students are becoming poorer as a result. In 1978, 18 percent of American children under age six came from families in poverty, but by 1990 this figure had increased to 25 percent and continues to grow.

Children Under Six in Poverty

Source: James G. Ward

Shifting international economic forces have contributed to the development of what economists identify as a quasi-permanent underclass of families subsisting on jobs that pay the minimum wage and have few benefits, if any. Some studies on welfare clients document welfare dependency that continues from generation to generation in the same family. Other families shift back and forth between employment at poverty wages and dependence on public assistance. Contrary to popular perceptions, such families exist in roughly equal proportions in both urban and rural areas. Children from families in poverty are more likely to experience learning problems, sometimes associated with low birthweight and inadequate prenatal care; nutrition problems; health problems; inadequate family support; and domestic violence, abuse, neglect, and dysfunctional family life.

Income Disparities. Numerous headlines have proclaimed that income disparities are widening in the United States (Bradsher, 1995). The Bureau of Labor Statistics has reported that since 1979 real wages for the least-skilled workers have been steadily sinking (Kilborn, 1995). Indeed, since the early 1980s, the rich have been getting richer and the poor have been getting poorer. Studies by the U.S. Bureau of the Census and others have documented the increasingly strong relationship between education and income. Lifetime earnings for those with at least some college education or a college degree greatly exceed lifetime earnings for high school dropouts and high school graduates. Graduate degrees increase lifetime earnings even more. Better educated Americans not only have greater economic power, but have greater political power as well. The United States is the only Western nation where the affluent register to vote in a much higher proportion than do poor and low-income individuals.

The affluent can afford to buy private services in lieu of public services, while the poor have no such choice, even when limited government subsidies are available.

In this country, there is a gap between those who pay for public services and those who benefit from public services, and it is growing wider. The affluent can afford to buy private services in lieu of public services, while the poor have no such choice, even when limited government subsidies are available. Citizens whose taxes pay for public services often are not the beneficiaries of public services, and those who benefit the most from public services pay little in taxes to provide them. Therefore, many affluent voters are reluctant to raise their own taxes to pay for public services—including education—that primarily benefit families in other communities. This reluctance raises very real equity questions about the future distribution of educational resources and access to technology, and makes the job of equalizing school financing a very difficult one.

Changing Labor Markets. Employment in the mining, manufacturing, and agricultural sectors of the economy is declining,

while employment in the service sector is growing. Service sector employment is diverse, ranging from relatively low-skill jobs, such as many jobs in the fast-food industry, to high-skill jobs in business, banking, and the health-care industry. Information and knowledge are the keys to growing job categories and well-paying jobs. Economists have found that many service sector jobs do require higher education levels. Therefore, changing labor markets place new demands on schools to prepare students for new information and knowledge-based jobs. The general quality of education needs to be improved, and we need to pay particular attention to the education of minorities and others who have traditionally been short-changed by our schools. Meanwhile, those communities that offer well-paying jobs to attract residents will be better able to support schools through local resources.

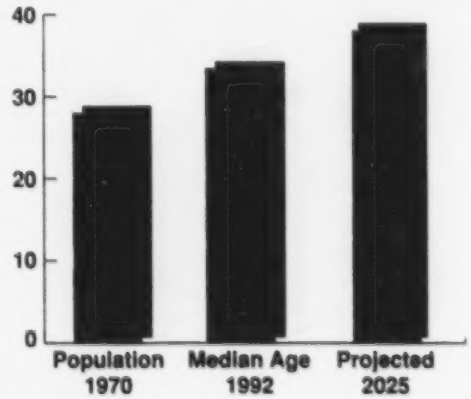
Technology and Telecommunications. Computer technology and advances in mass communications are revolutionizing the way many Americans conduct their daily lives in the workplace, at home, and in their recreational hours. However, access to technology is unevenly distributed in our society and our schools. The introduction of computer technology into classrooms is leading to greater curriculum integration, new instructional strategies, an increase in direct learning activities for pupils, and changing approaches to performance assessment. These advances in technology also break down geographic barriers and allow greater geographic dispersion in business and industry. While manufacturing was once a prisoner of location, today a company may have its headquarters in rural Indiana, its financial staff in Chicago, its design team in Minneapolis, and its production base in Mexico, creating products to be marketed worldwide. All of these functions are connected by computer technology and advanced telecommunications. As a result, the old model of industrial location is breaking down, with companies often locating in communities with high quality of life factors and good schools.

Schools must radically rethink their curriculum and instructional delivery systems because of very different job skill demands in an information age and the impact of technology and advances in communications on schools and learning. New approaches will be expensive and require a greater capital investment in education. Because the evidence is clear that the quality and quantity of a person's education directly affect his or her potential earning power, the adequacy of school financing and equity issues take on even more importance.

Aging and Dependency. In many parts of the Midwest, the average age of residents is increasing—particularly in many rural counties where the younger residents are moving away, leaving behind an increasingly elderly population. It has been estimated that between 1990 and 2025, the elderly will account for the entire increase in this nation's dependent population (those younger than 18 and aged 65 and older).

Population Median Age

Statistical Abstract of 1994
Bureau of Census



Source: Bureau of Census

Since 1900, the number of elderly persons has doubled every 30 years in the United States. This increase will raise public demands for health care and recreation, while possibly decreasing direct demand for public school services. By 2020, all of the states in the north central region except Illinois will have at least 28 elderly for every 100 working-age adults. Illinois will have between 22 and 25 elderly for every 100 working-age adults. Government revenues are not likely to increase as a percentage of gross domestic product or of personal income.

As the American population ages, fewer people will have a direct interest in education, and securing public support to fund public schools may become more difficult.

All public services will be competing against each other for the same funds. An increasing proportion of older Americans will mean greater voter interest in public funding for functions such as health care, recreational facilities, and police protection—functions that older individuals tend to use more than public educational services.

Youth Crime and Drugs and Changing Family Structure. Youth crime and illegal drug use will continue to make the newspaper headlines and occupy the minds of people. Whether or not crime and drug use are increasing is a matter of controversy, but the public perception is that the problems are getting worse. The general public often associates violence, crime, and drug use with the public schools, and this association can undermine support for schools. Many parents are removing their children from public schools because of perceived problems of violence and crime, while many citizens express reluctance to support public schools because of these problems.

Implications for Financing Public Schools. These demographic, social, and economic trends have profound implications for financing public schools. Together, they suggest a bleak future for public school finance. Communities that underfund their schools, either because of an unwillingness to increase taxes or a state school finance formula that does not provide sufficient funding equity, will be permanently handicapping their own children. In the economic, social, and political spheres, children who are educated in communities that lack quality schools will be at a disadvantage in relation to children who are educated in higher quality schools. With the mobility of the American people, this disparity will become a larger social problem for all communities. Schools and supporters of public education need to work harder to rally support for public school funding and will need to build partnerships with others who benefit from public education for greater school support.

James G. Ward is a professor of educational administration and associate dean for academic affairs at the College of Education, University of Illinois at Urbana-Champaign, Illinois. He is an expert in the area of school finance.

Changes in Demographics and Economics in Rural and Urban Settings: Impact on Rural Schools

by Joseph J. D'Amico, NCREL

Many rural communities are shrinking—and in some cases shrinking out of existence. The exodus of family farmers brought on by the "farm crisis" of the 1980s is one well-reported reason for this phenomenon. Recent floods and other natural disasters have added to the movement away from rural areas, along with the long-standing tendency of rural youngsters to "seek their fortunes" in the big cities. Yet, at the same time, some rural regions of the upper Midwest have been growing. New farming, manufacturing, and service-market opportunities have opened up; high-tech

businesses have relocated; baby-boomers with their own children to raise have moved to rural locations seeking to live a safer, simpler life; and highways have lessened the time needed to travel from many rural communities to cities or regional centers.

As a response to shrinking finances, some districts are closing down art or music programs, while others actually are initiating new kinds of courses both to serve new kinds of students and to attract new students.

Whether shrinking or growing, however, rural communities are undergoing enormous demographic and economic changes and are likely to experience socio-cultural changes as well. A shrinking community nearly always is a poorer community. But a growing community is not necessarily a richer one. An increasing population that is growing older and more in need of medical and social services can cause a great deal of economic stress in a community with little economic capital to draw on. The same result can occur when a rural community has a growing unemployed or underemployed population seeking an inexpensive standard of living or easily obtained public assistance. Even when demographic changes bring positive economic changes, rural communities can experience stress in their physical and social infrastructures. Often, this stress first appears in the schools.

As generations of analysts have observed, rural communities and the people who live in them exhibit remarkable resilience in the face of change-related stresses. It is part of their histories and their traditions. Rural people typically display innovation and creativity when faced with tough challenges. They work together and even manipulate systems and situations to maximize their opportunities. I see these qualities as I look through the rural responses to the NCREL electronic survey in the *Rural Profiles* section of this *Brief*. For example, some districts seem to be making *programmatic* changes in response to changes in the district's student body composition, placing more emphasis on inclusion or Title I or adding accelerated courses. As a response to shrinking finances, some districts are closing down art or music programs, while others actually are initiating new kinds of courses both to serve new kinds of students and to attract new students.

Rural districts that responded to the survey also seem to be reacting to changes in demographics and economics by changing their *staffing* patterns—adding or subtracting staff, or sharing staff with other districts. Redirecting staff—from language arts to Title I, for instance—was another staffing response. Some districts are redirecting *resources* as well—for example, by establishing distance education opportunities with funds they once used for other purposes.

A few districts have opened up the planning process to wider, perhaps previously excluded segments of the community. Others have expanded the focus of such planning to include planning for community development, believing that a strong community is the first step toward strong schools.

Districts also have altered the way they acquire and disburse *funds*. Two of the more obvious approaches are floating bond issues and changing millage. Soliciting financial support from local or regional businesses and marketing the district in open enrollment situations are less obvious approaches. Some districts have set up foundations, while others have closed buildings to retarget money used for heat, lights, and maintenance.

Changes in demographics and economics have caused many districts to alter their *planning* processes. For instance, these

districts might stretch their budget planning time frames in order to extend costs over several years rather than simply proceeding year-by-year. They also might engage in strategic planning and management—including the associated emphasis on environmental scanning—to help prepare themselves for upcoming trends that have not yet appeared. A few districts have opened up the planning process to wider, perhaps previously excluded segments of the community. Others have expanded the focus of such planning to include planning for community development, believing that a strong community is the first step toward strong schools.

Although rural and urban schools are very different, growing evidence suggests that they face many of the same challenges. In particular, both face similar pressures from shifting demographics and shrinking financial resources.

Districts also described a number of *organizational* or *structural* responses to shifting economic and demographic trends. As noted earlier, some districts simply were shrinking—closing programs, releasing or consolidating staff, closing buildings, and the like. In other cases, districts grew to meet changing student body characteristics or growing special program needs, or simply as an entrepreneurial response. All of these responses require structural or organizational changes. Other organizational changes include grade sharing or reconfiguration, sharing of services such as busing, sharing of teachers and administrators, and increasing staff responsibilities (e.g., administrators teaching or teachers handling several different content areas). A number of districts also pointed to school consolidation as an often unwanted but necessary response.

Although rural and urban schools are very different, growing evidence suggests that they face many of the same challenges. In particular, both face similar pressures from shifting demographics and shrinking financial resources. Clearly, the local community—urban or rural—can do much to solve these problems, as we see in the experiences described in this edition of *Policy Briefs*. Yet, it is reasonable for rural and urban educators to look for state and federal policies to help them. To date, policymakers have not paid much attention to these issues. On the contrary, emerging state and federal education policies—particularly funding policies—are making the situation worse in many districts. Perhaps an important lesson for both rural and urban educators is that they need to join forces to inform policymakers that certain mandates and decisions—particularly those requiring additional expenditures for staff, materials, or facilities—are counterproductive to effective operation of schools and thus have a negative effect on the children in those schools.

Joseph J. D'Amico is the director of NCREL's Rural Education Program. After teaching in Philadelphia, Joe became a senior researcher at Research for Better Schools, Inc. (RBS), the mid-Atlantic regional educational laboratory in Philadelphia. Joe also was codirector of the Rural Education Program at RBS. Later, after working as the training and development director at the Learning Institute, he joined NCREL. Joe has published numerous articles and is active in the National Rural Education Association, Phi Delta Kappa, American Educational Research Association (AERA), and Association for Supervision and Curriculum Development (ASCD).

Hard Times Getting Harder in Urban School Districts

by Lynn J. Stinnette, NCREL

Early in March 1995, as this *Policy Briefs* was being prepared, the House Appropriations Committee slashed $1.7 billion in federal funds to public education. Total rescissions in the Senate were $314 million. The cutbacks have even affected such time-honored government programs as school lunches—a program that serves 25 million children each year. If the proposed cuts occur, federal funding for teacher training, drug-free schools and violence prevention, educational technology development, special education, and support for improved reading and math instruction would be drastically reduced. The House also proposed deep cuts in funding for Head Start and summer youth job programs as well as vocational training programs. The full Senate reduced the appropriation for Title III of the Improving America's Schools Act of 1994 (IASA)—the technology section—by only $5 million, agreeing to fund $35 million. Star Schools funding was to be reduced by $5 million, from $30 million to $25 million. However, the Senate did not cut appropriations for Title I and drug-free schools, and made fewer cuts in the Eisenhower Professional Development Program (Title II of IASA).

Within the north central region, each of the ten largest urban districts faces the 1995-96 school year with a tremendous budget deficit.

The level of concern about these federal cuts has grown steadily and has not yet crested. Within the north central region, each of the ten largest urban districts faces the 1995-96 school year with a tremendous budget deficit. Even before the federal axe has fallen, the Chicago public school system, for example, is projecting a deficit of at least $150 million for next year, and the opening of Chicago schools next September is already in doubt. In some states, property taxes have been capped or even eliminated as a source of increased school revenue, pushing many school districts "to the wall" and requiring the state to provide a larger share of school financing. The most notable example is Michigan, which in 1993 did away with property tax funding for schools as of the 1994-95 school year.

Michigan Increased State Taxes to Fund Schools. Could Minnesota Follow Suit?

Michigan	Minnesota
*Increased State Taxes:**	*Current State Taxes:*
▪ Sales tax from 4% to 6%	▪ Sales tax at 6.5%
▪ Income tax from 4.6% to 6%	▪ Income tax at 8%
Education Funded by:	*Education Funded by:*
▪ Before: 40% State 60% Local	62% State 38% Local
▪ After: 90% State 10% Local	

***Increase Dedicated for K-12 Education**

Source: Minnesota Rural Education Association

Given what we know will be radically reduced resources, how can educators and policymakers make sure that the gap between rich and poor districts does not become an abyss? In his contribution to this edition of *Policy Briefs*, James G. Ward describes increasing competition for tax dollars between public schools and public services, such as hospitals, parks, and public safety. In light of this heightened competition, *accountability* takes on added importance. How can educators expect public support for increased funding to schools without demonstrating improved *productivity*—that is, a greater return on the public's investment?

1993 Per Capita Income			Revenues Per Enrolled Pupil Adjusted for Inflation: 1993 Dollars							
State	Income	Rank	State	1971	Rank	1980	Rank	1990	Rank	1993	Rank
Illinois	$22,534	9	Illinois	$4,344	10	$4,965	14	$5,618	27	$5,841	22
Indiana	$19,161	30	Indiana	$3,515	25	$4297	28	$6,124	19	$6,238	15
Iowa	$18,324	35	Iowa	$3,779	21	$4,705	19	$5037	37	$5,233	31
Michigan	$20,542	20	Michigan	$3,871	17	$4,936	15	$6,302	12	$6,854	8
Minnesota	$21,017	18	Minnesota	$4,284	13	$5,413	7	$6,272	14	$6,151	16
Ohio	$19,627	25	Ohio	$5259	3	$3,902	36	$5,676	24	$5,845	21
Wisconsin	$19,822	22	Wisconsin	$3,821	19	$4,689	20	$6406	11	$6,709	9

Source: Chicago Tribune

Achieving this goal is not just a matter of using dollars more efficiently and cutting waste, but of using some of those hard-won dollars—even in hard times—to support innovation and uphold high standards. Important among innovations are new bridges to the local business community. In the past, corporations might donate equipment or funds to an "adopted" school. Today, the corporate sector wants a voice in school policy, and business leaders want assurances that their support will be used to modernize instruction and promote meaningful workforce preparation.

Despite their best efforts, a number of urban superintendents have been rebuffed at the ballot box over the past two years when they have asked taxpayers to increase revenues for public schools. Even when the public is well aware of the need for major physical repairs or expansion of school facilities, tax levies have been rejected in such cities as Milwaukee. In 1994, in at least 20 medium-sized towns in Illinois alone, school-tax referenda failed by large margins. In some cases, system administrators have essentially "thrown in the towel," arguing that the current public and political mood makes fiscal initiatives out of the question. Robert C. Hacking, budget director for the beleaguered Cleveland City School District in Ohio, argues that because of local demographics, especially the growth of poverty and the lack of revenue growth, "Innovation...is difficult, if not impossible." Yet, even here, Hacking points out, the system took serious steps to mobilize the public, such as forming some 28 highly inclusive work teams and eliminating nearly half of all central office jobs.

Urban superintendents and staff members wrestling with the finance crisis have contributed to this *Brief* ideas being planned or implemented in school districts throughout the north central region. Prominent among these ideas is an attempt to increase citizen involvement by forming special bodies, such as the Community School Financing Committee in South Bend, Indiana, to make concrete recommendations to the school board. This committee includes parents, business leaders, and government figures, who advise not only on budget-cutting but on money-saving and revenue-producing tactics. Their job is to take the pulse of the community, to propose specific steps that the Board can take—including accountability measures, and, when appropriate, to arouse public opinion and citizen action.

The social and economic dilemmas that Ward describes have no easy answers or quick fixes. But prospects are not all grim. Throughout this *Brief*, urban educators share some of their strategies—or perhaps coping mechanisms—for facing the finance crisis in education.

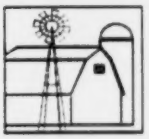
Lynn J. Stinnette is the director of Urban Education for NCREL. She has been an urban elementary school principal and has provided technical assistance to urban school districts in the process of restructuring.

Rural and Urban Profiles

Source of Rural and Urban District Information

Information for the rural profiles is taken from responses to a voluntary electronic survey. Due to the large number of responses, not all answers could be included in this Brief. The urban profiles come from answers to a written questionnaire that were solicited from sites selected to show a mixture of size, characteristics, and location. Both rural and urban sites responded to the following questions:

- What specific changes in the *demographics* or *economics* of your city have affected its ability to *generate income* and *fund* high-quality education for all youngsters?
- What specific changes in the *demographics* or *economics* of your city have affected the schools' ability to *provide* high-quality educational *programs* and *services* for all youngsters?
- What, if any, innovative solutions have you instituted to offset the consequences to your schools and students of these *demographic* and *economic* changes and how long have these innovations been in operation?
- What benefits have resulted from these innovations?



Rural Profiles

by Nancy Fulford, NCREL, and Louise Dieterle, Leadership Development Associates

Editor's Note: *The information contained in the* ***Rural Profiles*** *section comes from the voluntary responses of rural school district personnel to a toll-free telephone survey. While all of the volunteers were asked to respond to the same questions and were given instructions, the structure of the profiles may vary, since they are based on spoken rather than written responses. The numbers of responses per state also will vary. Indeed, if no rural superintendents from a state called to respond to the survey, the state is not listed.*

Illinois

Freeburg Community High School District 77, Freeburg, Illinois

Demographics/Economics: Six million-dollar loss of assessed valuation because of Peabody Coal Company's "coming off the rolls." Population growth due to people moving in from surrounding Belleville and St. Louis. On the state financial watch list (ranked 110th out of 113 high school districts for having the lowest tax rates in operating funds).

Solutions: "We are considering performance contracting as a way to be more efficient and take the load off our operation and maintenance fund. And we are also planning to establish an educational foundation to generate some more revenue for the district."

Malden Grade School District 84, Malden, Illinois

Demographics/Economics: Loss of assessed valuation of farm land affecting financial capacity to provide education. Successfully passed referendum in the education fund, but still experiencing hard times due to the state's not living up to obligations.

Solutions: The passed referendum helped, but can only do so much at the local level.

Crab Orchard Unit 3, Williamson County, Marion, Illinois

Demographics/Economics: Drop in assessed valuation affected source of local funds. Coal mines closed, making the economy of the community drop. Strip mining operations bought out farms, resulting in lower assessed valuation of property and decrease in population. Drop in enrollment affecting number of staff and number of programs to offer.

Solutions: Community voted to sell working cash bonds up to $75,000 to help fund education and voted a tax-rate increase of $0.76 in the education fund. Community has held fundraisers that have brought in $7,000 to 10,000 to buy computers. Booster club raised enough money to keep athletic programs going.

"So, overall we still have a good educational program and a well-rounded, extra-curricular program, but the drop in assessed valuation and in enrollment definitely have affected what we receive in local and state moneys."

Benefits: "We've been able to increase our programs with the new technology, equipment, and computers. And we've been able to keep our athletic programs going because of these innovations of the community."

Ohio Community Schools, Ohio, Illinois

Demographics/Economics: "The most critical problem facing small rural schools is that of declining enrollments and the serious decline of financial and economic resources. It was evident if the town of Ohio was to continue, and if the school system was to exist, something had to be done. It also was apparent that new students needed to be attracted to the school system. This could be done without additional staff or construction. The community of Ohio, Illinois, refused to die."

Solutions: "A group of local business and community leaders met to discuss the options available. The plan formulated by this group was to offer some financial assistance to prospective families to entice them to live in Ohio, Illinois, while continuing to work in their current jobs in neighboring towns. A grant of $3,000 toward the payment of property taxes was offered to a family purchasing an existing home. A $5,000 grant toward the payment of property taxes was offered to a family purchasing a new home. These home buyer grants were provided by the Ohio Growth Foundation, organized and incorporated in 1988. In addition, the Village of Ohio offered lots for $1 to $10 for prospective home buyers."

Benefits: The population of Ohio, Illinois, is listed at 450; elementary school enrollment increased from 108 to 137 students; high school enrollment increased from 42 to 60 students; 13 new homes are expected to be built during the year; school enrollment, assessed valuation, and state aid will increase.

"Our high school class offerings have increased from 19 to 40 subjects. We now offer three tech prep math classes and one tech prep English Communication course. We have integrated our vocational and academic classes. Also, Ohio was selected as one of the top ten schools to appear and make a presentation at the better schools symposium sponsored by Illinois State University in 1992. Our elementary school has received two $10,000 competitive grants, one for reading and language arts and the other for mathematics. There is much pride in the school and in the community. We have better educational programs and have increased student achievement as determined by the Stanford Achievement Test, the ACT scores, and the Illinois Goal Assessment Program (the state of Illinois assessment test)."

Sherrard Community School District 200, Viola, Illinois

Demographics/Economics: Loss of approximately 30 to 35 percent of equalized assessed value due to reduction in farmland value. Maintaining the same student population numbers (1,850). The state aid payment was withheld; loss of state aid is tremendous.

Solutions: Trying to encourage voters to pass a tax referendum of $0.75 for the education fund only.

"We have tremendous problems looking ahead in classroom sizes, building sizes. We have three buildings all of which need to be expanded. The fourth elementary school is a decent size. The high school, a 7-12 facility, also needs expanded area for classes. We will be scheduling with no empty classrooms during any period throughout the day. This will reduce the effectiveness of teacher prep periods."

Benefits: "We have not had any benefits from our plight, and we continually are slipping. We severely need a state income tax increase, maybe a portion of which can offset local real estate. The legislature of the state of Illinois must, and I underline *must*, take the responsibility to initiate a state income tax increase."

Iowa

Clarion-Goldfield Community School District, Clarion, Iowa

Demographics/Economics: "Recently we had a reorganization between the Clarion and Goldfield communities. We had a recent bond issue that has allowed us to refurbish and also add new facilities, replacing a dilapidated facility. We're ethnically more diverse, and we have more transient families moving to the area. We are experiencing steady economic and population growth, both in the community and in the school. There are more single and blended families the school is working with than in the past."

Solutions: Improved facilities through a bond issue. Received incentive funding from the state because of the district's reorganization. Received a New Iowa Schools Development Corporation grant and an alumni gift that allows teaching foreign languages in the middle school. Provided English as a Second Language (ESL) and latchkey programs. Expanded early childhood program into preschool. Provided Head Start program. Foreign language is moving to middle and then elementary school. Organizing a community early childhood resource center.

Benefits: "We are able to address student and family needs more accurately."

Marshalltown Community School District, Marshalltown, Iowa

Demographics/Economics: Large influx of Hispanics (from one to seven percent). Drastic change in income of community from high-paying jobs to low-paying (from valve industry and furnace industry to meat packing). More two-income families, more women working. Aging population in the middle of Iowa. Low birth rate.

"There is an anti-tax feeling that I believe is running rather high and is affecting our district's ability to provide a high-quality education. And the fact that most people don't have children in school, like across the country."

Solutions: "We tried using a referendum with income tax, a somewhat innovative solution. We were going to fund most of an enhancement with income tax. However, we failed. We are looking at ideas like setting up a foundation with our alumni association to combat some of these things. We believe we may have to have more private dollars than tax dollars. We haven't really seen any benefits from these innovations yet. We have done a lot of things in terms of teacher empowerment, also, but those don't directly relate to the change in demographics. We do have a New Iowa Schools

Development Program in the Woodbury School to try to make it more of a community. We also have grants for transition, from Head Start to kindergarten and first grade, that have meant an influx of revenues into our elementary schools and early childhood programs. So these programs have been somewhat successful in bringing some more dollars into our district."

Deep River/Millersburg Schools, Millersburg, Iowa

Demographics/Economics: Fewer farmers but bigger farms. More families with two-wage earners. Smaller families.

Solutions: "Because of whole grade sharing, we're generating more dollars to spend on instruction, pupil/teacher ratio, the updating of buildings and buses, and to buy more materials." Shared certified and administration staff. Whole-grade sharing 7-12.

Benefits: Being able to meet standards. Increased educational opportunities in the 7-12 educational program.

East Monona Community School District, Moorhead, Iowa

Demographics/Economics: Declining enrollment; declining state funds due to enrollment. Fewer and fewer family farms. Lower local tax revenues.

Solutions: Share staff members. Share programs with neighboring school districts. Share high-priced technological equipment.

Benefits: "The students are enriched to a degree. We're able to maintain some programs that otherwise we would be very hard pressed to do."

Mount Ayr Community School, Mount Ayr, Iowa

Demographic Economics: Population decreasing. Young people moving to urban areas for jobs. Smaller families. Rural population becoming older. Farms larger but less productive. Smaller schools "resorting to" whole-grade sharing and sharing of classes, which brings in student dollars.

Solutions: Encouraged open enrollments. Kept curriculum strong, which has encouraged people to come to the community. Sharing between schools. Consortium effort between seven schools in rural southwest Iowa through the New Iowa Schools Development Corporation in order to share facilities and curriculum and improve the financial situation. Writing grants. Networking technological innovations, such as computer labs. "We have a high ratio of computers to students, largely through a lot of grant writing efforts, which has been a way of offsetting the loss in population."

New Market Community School, New Market, Iowa

Demographics/Economics: "We are economically depressed, with no businesses or means of employment except our school. We send our high school students to Corenda and Bedford. We even have to gas our buses in Corenda."

Solutions: "Since 1989 our dedicated staff has involved our students and retired people in shared activities. We are actively involved in community service and our small class sizes are a real plus in quality education."

West Marshall Community School District, State Center, Iowa

Demographics/Economics: No real demographic changes. Dealing with very limited allowable growth from the state for funding education. School population growing slowly as a result of new industry in the area. Housing crunch, especially affordable housing. Even with new industry, state mandates drain already strained resources.

Solutions: "Our community in the last year and a half has worked earnestly to get some apartment complexes, some low-

priced new housing. So there are now several new houses being built in the moderate range. We are 'land-locked' and having trouble getting additional land to build houses. We are projected to have an increase of 400 to 500 new employees in some of our major industries about 12 miles away. And our communities are in the position to take in anywhere from 20 to 50 new families, depending on housing. Our biggest concern yet is properly-priced adequate housing for families that are choosing to move to our area. This will ultimately impact the school with regard to limited space and the need for more resources for our program funding."

Michigan

Bessemer Area School District, Bessemer, Michigan

Demographics/Economics: Steadily declining population due to closing of mines from the 1950s to the 1970s. Recent major shift at the state level providing money for the poorest districts, of which Bessemer is one. Recently passed a school bond issue to roll two buildings into one high school. Nearly 25 percent of residents are retired, and the average age is approximately 44. "We continue to move forward with one administrator, myself, covering all junior high, all elementary, as well as being superintendent. We have another building, the high school, where we have one-third of our students, or 187 students, who are guided by a brand-new principal this year. We feel very lucky in that our dropout rate is nil. We also have extremely high scores on the state assessment test, and we improve on a yearly basis."

Solutions: State provided money for poorest districts. Added another administrator. Passed a school bond issue. "Our teaching staff is solid and sound."

In Land Lake Schools, Indian River, Michigan

Demographics/Economics: Higher student enrollment. More new residents. Less state income.

Solutions: Added classes in elementary school. Restructured administrative responsibilities. Added counselors.

Chippewa School District, Remus, Michigan

Demographics/Economics: Increasing number of retirees. Poverty level of working families is decreasing. More people moving into the area. Revenue growth not keeping pace with program demands. Need for increased staff for increased enrollment. High cost for special education.

Solutions: Reviewing how special education services are provided. Introduced an elementary counselor and social worker to deal with younger students who face a lot of problems. Studying at-risk factors in students in the elementary grades. Trying to find ways to reduce labor costs.

Benefits: "We have a heightened sensitivity to special ed placement of our students in our district. We have new language in one of our contracts to help address labor costs. And there are probable changes in language in another union contract. Also, we're developing programming to address the at-risk factors."

White Pigeon Community Schools, White Pigeon, Michigan

Demographics/Economics: Decline in student population of 200 students, creating an overall income shift.

Solutions: "We've been having collaborative efforts with the neighboring school district, Constantine, to offer courses, both vocational courses and more preparatory courses, to students. We're sharing busing; we're sharing teachers, foreign-language teachers, between schools. We're sending students here to take classes and programs that are not offered in both schools. One of

the nice things about it is that no money changes hands. We're also housing their four-year-old program and some alternative education students."

Benefits: "The benefit we receive from this is that students have more choices, both vocationally and educationally, that otherwise would not be possible. Our cooperation has also served as a model for our county-wide vocational program, sort of a career center without walls. And we're also going to start sharing county-wide, academic-type classes."

Minnesota

Benson Public School, Benson, Minnesota

Demographics/Economics: Relatively stable community. Hanging on to what they have. Expect severe population drop in next few years due to low birth rate. State school funding is stable—i.e., frozen. Borrowing money to maintain cash flow. New regulations and mandates continue to absorb additional school funds. Passed referenda.

Solutions: The district has passed three straight referenda. "Our curriculum seems to keep up with the times. We have increased technology in this school and now have several hundred computers. Another drain on the finances is special ed services, as we have greatly increased our special ed services. We are involving the area business and local industry with our curriculum improvement project. We are also improving our student-community service projects in the community. All of these innovations are just getting off the ground, and assessments and evaluations will be forthcoming in the next year or two. We have high expectations of our technology and community service programs."

Triton School District, District 2125, Dodge City, Minnesota

Demographics/Economics: Becoming a suburb of Rochester. People moving out due to layoffs at IBM and Mayo Clinic. Migrant students are there in early fall and spring. A number of students are "open enrolling" to surrounding districts, affecting quality of education due to decreased funds. Excess levy in place, so extra revenue from state will be lost.

Solutions: Closing buildings and reconfiguring grades and makeup of schools, which save dollars but change demographics and logistics.

Minnewaska Area Schools, District 2149, Glenwood, Minnesota

Demographics/Economics: Declining population area. Aging population. Decrease in student population.

Solutions: "Technically our district is made up right now of three districts that are called Glenwood, Starbuck, and Belard. None of these districts has a new building or a very good building for high school. The communities got together when the population dropped down and decided that the way to approach this was to build a brand new high school. The three districts got a grant for $6 million from the state of Minnesota, what they call their secondary facilities grant, and invested another $10 million in a new school for $16 million. This put all the high school students from the three districts (comprising probably 95 percent of the population of students in this county) in this high school. So we found a very good solution to the current declining population, and we hope that our population decline will gradually level out."

Janesville-Waldorf-Pemberton School District, Janesville, Minnesota

Demographics/Economics: Shrinking agricultural base. Two poor-crop years. Lost excess levy on a recall. A new consolidation.

"We are surviving as a school district. But that's the key word. Our governor indicated this week that in fiscal year '95-96, they will try to break some money loose for us. That would be very welcome and long overdue. It's a tough world out there."

Solutions: "The district went into pairing and consolidation to broaden programs and make economic savings, but we still have need, because of the loss of state revenues or flat revenues for three years running. Most Minnesota districts have excess levies. We voted one in. Because of the agriculture problems, the people got hit by heavy increased taxes; they used the recall process and voted it out."

Melrose District 740, Melrose, Minnesota

Demographics/Economics: Fewer farms, fewer children. Inflationary pressures of rising costs but declining enrollment. State formula figure being not overly generous has created problems in quality of programs.

Solutions: "As far as innovation is concerned, there isn't a whole lot out there that can be done. That's somewhat of a pessimistic view. There just aren't that many ghost dances or special shirts that will deflect the bullets. We've closed some schools; we've coded costs creatively; we've cooperated with neighbors; we've had to reduce staff and just plain had to face the facts. We've been in operation for ten years. Although we have held our programming fairly well and have reordered some of our programming in terms of objectives and zeroing in on what we think we really ought to do . . . we will still have to go for levy override this coming fall."

Montevideo Schools, District 129, Montevideo, Minnesota

Demographics/Economics: Population decline. Declining farm economy hurting ability to generate revenue and student population. Taxpayers won't support referenda so we're strapped financially. Forced to cut programs and staff and increase class sizes.

Solutions: "We've done a number of things. We certainly have done more cooperating than we've done in the past with our neighboring schools in providing programs and services for our students. We also have a two-way interactive system that we have up and running for the last six years, and we have currently ten schools in that consortium. We have in Minnesota what is called open enrollment. We've been highly involved in that, and we have approximately 100 students that have openly enrolled into our district, which has helped also."

Benefits: Able to continue to offer quality programming. "We haven't been forced to drop as many things as we may have had to drop under the same circumstances. So that's been a good feature. Overall, I would say it looks right now as if things may start improving. The economy looks a little better, and I think maybe even on the state level they're willing to contribute more to school districts."

Nevis Public Schools, District 308, Nevis, Minnesota

Demographics/Economics: Open enrollment has increased, which has created more opportunities for business to capitalize on the economics of this influx of people coming to and from school for student activities and increased the general ed revenue for improved programs. Need to add more space. Passed a bond issue to accommodate more students.

Solutions: Better facilities and more students to generate revenue improved learning programs for students.

School District 62, Ortonville, Minnesota

Demographics/Economics: Declining population. Enlarging of farms. Fewer rural people. Emigration of people who worked at a huge power plant. "As the farms have

increased in size, fewer people exist, people have less because of no jobs, that also affects the other businesses that were in the community."

Solutions: "From the educational vantage point, fortunately the school is still large enough. We can offer a somewhat traditional program and remain viable economically. In order to provide the best education possible, we have added significant numbers of computers to the program, both in the elementary and the secondary, and software acquisition to use on the computers for enhancing education, whether it be in mathematics, English, language arts, whatever, have been made available."

Rothsay High School, School District 850, Rothsay, Minnesota

Demographics/Economics: Aging population. Shrinking farm population. Declining agriculture profit margins leading to a deteriorating tax base.

Solutions: Open enrollment. Funds from private agencies. "Rothsay has had a history of advanced education for the past five years. Rothsay has used a school-owned grocery store as a form of hands-on learning. Before that the school was using a lumber yard for the same purposes. The Rothsay Community Learning Center is a program where the community and students work together to provide learning in several major fields, such as accounting, bookkeeping, welding, art, and business promotion. The program provides students with the opportunity to go beyond their expectations."

Benefits: National publicity. Increased funding from private sources.

Ohio

Ansonia Local School District, Ansonia, Ohio

Demographics/Economics: Declining enrollments in the past 15 years. Industry moving and closing. Change in socioeconomic level of families. Passed an income tax. Receiving some equity funds from the state.

Solutions: Studying collaborative efforts with other districts and starting to use interactive TV in two districts.

Southern Local School District, Perry County, Hemlock, Ohio

Demographics/Economics: Decline in major industry, coal mining. Local property tax values are among the 13 lowest in the state. Changes in the population—those with low-paying service jobs or unemployed (unemployment is 20 percent). Per capita income is second lowest in the state. Aging population. Fewer students in school, affecting ability to generate income and fund education.

Solutions: No solutions offered.

Switzerland, Ohio, School District, Monroe County, Woodsfield, Ohio

Demographics/Economics: School population decreased by 1,500 in last few years. Layoff of jobs, coal mines closed. High unemployment. Older population.

Solutions: School consolidation. *Attempted* to pass levies. Some distance learning by satellite. Consolidated some teachers who teach at two different buildings.

Benefits: "From satellite learning, we have been able to give courses that we have not had or that we cannot give in the school. Also with teachers going to two buildings, we can maintain a curriculum we would not have."

Mideast Ohio Vocational School District, Zanesville, Ohio

Demographics/Economics: Loss of major industries, including Cooper Power Systems, Ohio Ferro Alloy, and Central Ohio Coal. Many local districts not able to pass levies. Large percentage of population receiving some type of public assistance.

Solutions: "We have created new vocational programming to meet the unemployed person's needs, implemented career development activities without any state funding, and created linkages with other job agencies to assist students."

Benefits: "We have been able to provide vocational opportunities to many individuals who would not have had these opportunities in the past. I suppose ultimately we have provided new and different employment for displaced persons."

Wisconsin

DeForest School District, DeForest, Wisconsin

Demographics/Economics: State revenue cap curtailing spending to the current rate of growth and/or the consumer price index, whichever is greater. Demographics changing because people from Madison who feel that their special needs students are not being served adequately are moving into our area. Approximately 20 percent of students moving in have special needs. Needs of these students not adequately funded with the growth formula currently provided; therefore, money must come out of the fund balance or taken from other budget items, diminishing other programs to meet these needs.

Solutions: "We don't have any innovative solutions to this problem, and we see a continuation of this being detrimental to our school district. Our fund balance will be eroded. It's already seriously inadequate. Or the other programs of the district are going to be curtailed or cut back to find money to pay for these students. Any of these options are not adequate as far as we are concerned to continue to provide a quality educational program."

Oconto Falls Public Schools, Oconto Falls, Wisconsin

Demographics/Economics: Older population moving in, therefore less willingness to support tax levies. Growth from Green Bay but not support for education.

Solutions: Public relations. Public involvement in decisionmaking at the building level. Series of educational forums where board members meet the public to talk about issues.

Rosendale-Brandonville School District, Rosendale, Wisconsin

Demographics/Economics: Growth from people working in Fond du Lac and Oshkosh areas. Numbers of children growing causing class sizes to increase. Imbalance in schools. Busing to reduce imbalance.

Solutions: "We have formed a long-range planning, needs assessment committee. At this time we are in the process of interviewing some school consultant planners, just so we have some type of idea of what options are available to us to get an idea from their standpoint as to what the district can expect."

Benefits: "We haven't seen any yet, except that our committee is working hard on this matter and that we have recognized that there is a problem out there."

Urban Profiles

by Nancy Fulford, NCREL, and Louise Dieterle, Leadership Development Associates

Editor's Note: *The information contained in this section was obtained through written responses to a questionnaire. The participants were selected to show a mix of characteristics, location, and size among urban districts. In some cases, information was obtained from more than one source to create the profile; multiple sources are noted when they occur.*

Illinois

Chicago, Illinois

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Demographics/Economics: The proportion of minority and low-income students in the school system has increased over the years. The student enrollment is approximately 90 percent minority and 80 percent from low-income families.

In addition to the above-mentioned changes, the decline in the proportion of funding from the state has affected the system's ability to provide educational programs and services.

Solutions: Special educational programs to meet the needs of bilingual students, students from low-income families, and students with educational deficiencies have been instituted.

Many of these programs have existed since the 1970s. Programs for students from low-income families were significantly expanded after the school reform act of 1988 (State Chapter 1).

Benefits: These programs have benefited target student populations with their education.

Chicago, Illinois

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Demographics/Economics:

Poverty

The school population has grown poorer. The number of children eligible for free/reduced price lunch has grown from 271,728 in 1988-89 to 326,183 in 1994-95 (the corresponding change in the percentage of low-income children was 66.2 percent in 1988-89 to 79.6 percent in 1993-94). If one adopts the educational belief that it costs more to educate a child in poverty (as the state of Illinois admits in its school aid formula, which includes a section on compensatory education for low-income children), then an increase in the level of poverty without a corresponding increase in resources imperils the ability to provide a high-quality education.

Tax Base

While revenue generated from the local property tax has actually increased over the last five years, it appears to have leveled off and may actually decrease in the future. Revenue from local property taxes grew from $739.9 million in 1988-89 to $1.1693 billion in 1993-94. The primary reason for the increase in property taxes was due to the opening of several downtown commercial properties built in the early 1980s. The resulting increase in assessed valuation for the district resulted in the increased revenue. However, growth in local property tax money is expected to level off in the near future. The district will take a hit next fall when it has to begin paying back the bonds issued two years ago

to keep Chicago schools open. It is estimated that the district will have to take $40 million away from educational programs and use this money for debt service payments.

With attitudes about the property tax being so negative in this state, it will be quite some time before Chicago sees a great deal of increase in its locally generated revenue. With the Republican sweep of the legislature in the November elections, one of the items of highest priority is to place tax caps on Cook County (they already exist for the metropolitan suburban counties that surround the city). These caps would limit the growth of the tax levy to five percent or the rate of inflation, whichever is lower. Once caps are in place, if Chicago's property value would increase greatly, the city would be unable to access these funds as it has in the past. Instead, the tax rate would have to be adjusted downward to compensate for the growth in property value. This situation will hamper the district's ability to get increased revenue from its local property tax base.

Enrollment Patterns

Enrollment has been fairly stable (total enrollment was 410,230 in 1988-89 and 409,499 in 1993-94), but racial makeup has been changing. The 1990 Census pegs the city's population at 38.6 percent black, 37.9 percent white, and 19.6 percent Hispanic.

White enrollment has reached its lowest point at about 11 percent of total enrollment, a decline of only one percent from 1988-89 (12.4% to 11.4%). These numbers are far lower than the percentage of white residents in the city, but the stability of the numbers over time appears to indicate that "white flight" is all but complete.

Black students are the majority in the system (55.6 percent in 1993-94), but the overall numbers of black students is declining (the percentage of black students in 1988-89 was 59.7).

Hispanics are the second-largest ethnic group in the system, and the aggregate numbers of Hispanic students are increasing. In a nutshell, total enrollment has held relatively steady because the decline in the numbers of black and white students has been offset by the increased number of Hispanic students. They represented 24.8 percent of the school population in 1988-89, a number that grew to 29.6 percent in 1993-94.

These racial numbers, in and of themselves, do not have a direct impact on the ability to generate income for education, but it is important to realize that the racial/demographic makeup of the school system does not match that of the city as a whole.

Chicago is in a unique position in that it must have a balanced budget approved by an independent monitoring authority, the School Finance Authority (SFA), before school can start in the fall.

It is not so much the demographics or economics of the city that impair the district's service delivery. Rather, it is the financial picture of the district that annually endangers several educational programs. While total revenues have been increasing, general funds have been shrinking. Chicago is in a unique position in that it must have a balanced budget approved by an independent monitoring authority, the School Finance Authority (SFA),* before school can start in the fall. The SFA monitors the General Funds budget, which comprises the educational fund and the building fund. This requirement has inspired the seemingly yearly question, "Will the schools open on time?"

Schools cannot open without the balanced budget, so every year the Chicago School Board comes out with a temporary budget in July, says it can't possibly cut any more than it already has, asks the state for relief, gets little satisfaction, enters a nego-

tiating period with its teachers' union to determine whether any money can be saved, and then makes a series of last-minute fund transfers and budget cuts in order to balance the budget so that school doors can open at the beginning of September.

This "saving the ship moments before it crashes into the rocks" approach to opening schools almost every year is extremely detrimental to the educational process.

This "saving the ship moments before it crashes into the rocks" approach to opening schools almost every year is extremely detrimental to the educational process. For example, in fall 1993, the opening of schools was delayed by a week, the operation of the system had to shut down twice due to failure to meet state deadlines for a balanced budget, school doors reopened in September and kept open through November only through the action of a federal court to suspend enforcement of the state law, and the issue was resolved just before Thanksgiving—almost three months after the start of the school year.

Given that the schools had to operate with the uncertainty of whether they would be open and a situation in which their budgets were not fully loaded until December, it is hard to imagine that everyone in the school had their minds totally devoted to education from day one. Schools opened smoothly this fall, but a general funds deficit of approximately $150 million is projected for the 1995-96 school year. If the past is any guide, any solution to this budget problem (a realistic one is not readily apparent at this moment) will come at the last minute, and the education of the children in the system will take a back seat to the finances of the system.

**Note: The School Finance Authority (SFA) was founded in 1980, immediately after the district went bankrupt.*

Solutions: Since I don't work for the district, I can only give you what I see as the results of several budgetary decisions made by the district, but as far as judging their level of innovation and level of success, someone in the Chicago Public Schools (CPS) budgetary department would be a better source.

Reform has encouraged schools to view themselves as independent entities. Many Local School Councils (LSCs) have taken action to obtain assistance for their schools from outside of the system, whether through partnerships with business, grants from the philanthropic community for local projects, or other resources. However, I do not have any quantifiable data on which schools are doing what. I know that some schools are doing these things.

Benefits: From an outsider's perspective only, Chicago school reform has given local actors unprecedented control over their schools and the ability to take direct action to improve what goes on in the education of their children. The Consortium on Chicago School Research study, *A View from the Elementary Schools: The State of School Reform in Chicago* (Summer 1993) indicated that one-third of the elementary schools in the district were actively restructuring and another one-third had taken initial restructuring steps. Over half of the elementary schools in the system had taken their new powers as granted them by school reform and set out to reshape how they delivered educational services.

East Moline, Illinois

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Demographics Economics: The assessed valuation (AV) of the United Township High School (UTHS) district has fluctuated

greatly over the past two years. The AV was $239,596,262 in 1984 and reached a low of $186,088,914 in 1989. The latest estimated AV is going to be approximately $245,000,000.

The student population has ranged from a high of 2,244 in 1984-85 to a low of 1,817 in 1990-91. The current population is 1,970.

An indication of the job situation in our community is typified by Case-International Harvester's only recently being able to call back people who were laid off eight years ago. Another indication of the local employment situation is the total number of Deere Corporation employees in the Quad City area, which has declined from a high of over 10,000 to the current number of 3,100.

The declining assessed valuation has resulted in fewer local tax dollars. The reduced student enrollment has resulted in lower state aid. In addition, the large number of unemployed residents and retirees has produced a constituency that has been reluctant to approve any tax referendums. To put things in perspective, the residents of the district have never approved an increase in the educational fund rate.

For the past four years, the school district has been actively engaged in a business-education partnership with several businesses and industries in our area.

This lack of funds has resulted in an operating cost per student of $4,891, which ranks in the lower quarter of high school districts in the state of Illinois and is $688 lower than the state average for all districts and $3,627 lower than the average expenditure per all high school students.

Class sizes are larger and support services are reduced because of the district's financial condition. There is a positive correlation between operating expenditure per pupil and student achievement in Illinois. The student/teacher ratio has ranged from 15.4:1 to 17.4:1.

Solutions: For the past four years, the school district has been actively engaged in a business-education partnership with several businesses and industries in our area. The most exemplary is the one with the John Deere Harvester East Moline Works.

There has been an emphasis on improving student attendance and the graduation rates. Several methodologies have been used.

Benefits: The Illinois State Board of Education has recognized the John Deere/UTHS partnership as an exemplary partnership because of its many positive results, which range from a student and employee recognition program to a manufacturing technology course that includes both classroom and on-site educational and application opportunities.

UTHS is a Model Tech Prep high school in Illinois and has received a great deal of money for curriculum revision and staff development programs. An example of one of the initiative's successes is the articulated curriculum for a core group of 150 students. These students have the same math, science, language arts, and social studies teachers. These teachers have a common planning period and plan articulated learning activities. They also engage in team-teaching activities.

The curriculum includes application strategies and especially attends to the needs of the 25-75 percentile student groups.

John Deere/United Township Partnership Projects and Achievements

by R. Craig Whitlock, Superintendent, United Township High School, East Moline, Illinois

Since United Township High School (UTHS) and the John Deere Harvester partnership was formed in East Moline, Illinois, five years ago, many projects have been implemented with many successes and achievements. These projects include the following:

- Developed additional business and school relationships in the community with increased media and public awareness of the partnership value.
- Sponsored quarterly awards programs to recognize students, faculty, and staff for achievements.
- Developed a Speakers' Bureau concentrating on basic business skills and exploring specific careers. Provided John Deere Harvester facility tours of specific departments, processes, and systems.
- Increased student access/exposure to career options through a *Future Opportunities Program*, including:
  - On-site experience in the trades
  - *Choices Program*, a two-hour seminar dealing with motivation, time management, money management, academic decisions, and career consequences
  - *Science Screen Program*
- Identified and made available Deere Management Development programs.
- Developed a manufacturing technology course taught by Area Vocational Center and John Deere Harvester teaching staff.
- UTHS is a Model Tech Prep high school and the initial coordinator was a Deere Harvester trainer.

These projects and accomplishments have had a very positive residual effect on the relationships between Deere Company and UTHS employees. Communication between UTHS staff and administration has greatly improved as well. We regularly have opportunities to discuss, develop, and implement curricular improvements for our school.

Peoria, Illinois

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Demographics/Economics: The number of people who qualify financially as living at the poverty level has increased, placing Peoria third in the state behind Chicago and East St. Louis. There has been a decrease in the number of businesses in town, and our main employer in the area, Caterpillar, Inc., has down-sized to a smaller workforce. In addition, cash flow has become more of a problem as the assessed valuation of property increases due to an improved economy, causing the amount of state aid to decrease.

With the increase in the poverty level have come students who take more time in the classroom away from the educational process due to discipline. In addition, the students are not coming to school as prepared to learn as they did 10 to 15 years ago. We are having to expend dollars from areas such as Chapter 1 and other federal sources to fund early childhood programs to

bring children up to a level at which they can begin to achieve, whereas students used to come to school prepared to learn. Moreover, a change in attitude toward learning has affected what students are willing to do outside of school.

With Chapter 1 schoolwide programming, the schools can, as an instructional unit, make decisions about what programming to provide and how to provide the programming that will improve their student achievement levels.

Solutions: One innovative solution to these problems has come in the form of Chapter 1 schoolwide programs. The schoolwide programming allows funds to be spent buildingwide, not just on those students targeted for "pull-out" programming. With Chapter 1 schoolwide programming, the schools can, as an instructional unit, make decisions about what programming to provide and how to provide the programming that will improve their student achievement levels.

Reading Recovery has been instituted in all Chapter 1 buildings at the first-grade level to alleviate the reading problems of the lowest students before they fall behind. Non-Chapter 1 schools and Chapter 1 schools across the district have been strongly encouraged to apply for School Improvement Change Grants and Urban Education Grants from the Illinois State Board of Education to provide funding for staff development in areas where Chapter 1 funds may not be appropriate. Research has shown that certain instructional practices and assessment practices work well. Staff development funds to train staff have come from all three sources of funds mentioned.

Another valuable resource is provided by business partnerships, particularly in the past five years. The Adopt-A-School Program has flourished. Schools also have begun to go out and recruit adopters in order to provide certain resources to their students. This practice has allowed schools to avail themselves of resources that they otherwise might not have had. A district mentor program has begun to provide the schools with more human resources for students in the way of appropriate role models to help improve achievement and "citizenship."

The Chapter 1 schoolwide programs have been in operation for the past four years, and successful grant awards have been ongoing for the past five years. The Adopt-A-School program has been in effect for the past ten years, and the mentor program has been in effect as an official district program for one year.

Benefits: The above-mentioned innovations have increased student achievement for the most part. The majority of the schools are showing improved achievement in the areas they are focusing on and must show that improvement statistically in order to maintain their Chapter 1 schoolwide status.

Indiana

South Bend, Indiana

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Demographics/Economics: During the 1980s, the South Bend Community School Corporation experienced a dramatic demographic change. Large numbers of 18- to 30-year-olds, the last of the "Baby Boom" generation, moved out of the district. Between 1980 and 1992, approximately 25,000 more people left the district than moved into the district. The rate of net

migration was about minus 15 percent for the previous 12 years; it is expected to be only minus 4 percent for the next 10 years. This reduction in migration will result in a stabilization of the district population. Between 1980 and 1992, the district's population declined by 15,402 people, or 9.3 percent. Between 1992 and 2002 it is projected to increase by 2,970 people, or 2.0 percent, and between 2002 and 2012 it is projected to increase by 890 people, or 0.1 percent.

While the population losses of the past decade have been checked, the composition of the district's populations will still undergo significant change over the next 20 years. The two most important changes will be the aging of the population and the decline of average household size. The median age of the district is higher than the state and national averages. Given the low migration rates of the local 35- to 60-year-old population, the percent of households with school-age children is likely to decrease over the next 20 years. This trend will contribute to the future decline in household size. The increase in "empty nest" households combined with the continuation of low fertility rates will cause a further decline in household size.

Tax abatements and tax incremental financing affect the local tax revenue, sometimes with a detrimental effect on our resources. The current system of property tax limitations affecting school financial management has affected revenues. In 1971, 60.9 percent of the General Fund revenue came from local property tax and 30.2 percent came from the state basic grant. In 1994, 32.9 percent came from local property taxes and 61.1 percent from state contribution. The declining student population is negatively affecting our revenues with limitations placed on the amount that can be raised through local property taxes.

Solutions: Recommendations from a School Financing Committee, made up of members from the community, have been adopted by the Board of School Trustees. These recommendations include the following:

1. *A Five-Year Financial Plan* to direct the Corporation as to how expected revenues will meet the obligations of the Corporation. If necessary, a tax referendum may be requested.
2. *Full-Service Schools* will be established to become the focal point of community life and a central location of education service to strengthen students, families, and neighborhoods.
3. We will establish *a Policy of Open Access* to the community, making facilities available to groups and individuals on a user-friendly basis. These facilities will be marketed for company meetings and recreation.
4. The South Bend School Corporation will vigorously promote *private contributions/endowments* for projects to enhance and encourage students and improve teacher performance and establish innovative opportunities for the community to have hands-on experience with the schools, bringing additional funds to the programs.
5. A policy will be established to interact with other school corporations for *shared services* to result in better delivery and cost-efficiency.
6. Establish working *relationships with county and city governments* to achieve cooperative action in areas such as security, social service work, attracting block grants, and cooperative actions with the County Welfare Department.

Benefits: The above are newly developed recommendations. In the meantime, grants are being written for restructuring activities; partnerships with hospitals and businesses are being formed. The South Bend Community School Corporation is receiving funds from the Lilly Foundation for systemic reform and reform with middle grades improvement programs. We have actively sought this funding for the past five years. We have hired a part-time staff member to seek funding/contributions from the community to support both curricular and extra-curricular programs.

Michigan

Detroit, Michigan
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Demographics/Economics: According to the 1990 Census Zip Code Profile for Wayne County, Michigan (Detroit), since 1989 the city has experienced an increase in families with incomes less than $5,000, the number of individuals in poverty, and vacant and abandoned buildings.

The schools, in the past, have not been able to generate the type of revenue needed to create a clean and safe environment.

Our district's goal is to create a clean, safe, and healthy school community for our students. A special Clean, Safe, and Healthy Schools Task Force was created to address special needs.

Solutions: The district recently passed a $1.5 billion bond authorization; the revenue will be used for renovation of existing buildings, construction of new buildings, and increasing technological systems. More than 170 Detroit public school buildings were constructed before 1970. Our district is in need of additional revenues.

Our district's goal is to create a clean, safe, and healthy school community for our students. A special Clean, Safe, and Healthy Schools Task Force was created to address special needs.

The Options and Opportunities Fair is an excellent district effort to introduce the community to the numerous educational programs that exist in our schools.

Benefits: The district has increased publicity and community awareness. The voters passed the bond referendum on November 8, 1994.

This year, our kindergarten enrollment is at 16,121, which is an increase of 1,731 over last year. Early Childhood programs are projected to increase because of the increased number of children in this age group. To date, there are 54 schools of choice with specific themes and curricula for all students. Our district has additional programs, such as Compact, the Student Motivational Program, the Student After School Program, and many other innovative programs.

Capital Campaign Enables School District to Educate the Detroit Community

by David L. Snead, General Superintendent, Detroit Public Schools

The Detroit Public Schools' (DPS's) successful 1994 $1.5 billion Facilities Improvement Campaign offered employees of the school district a new opportunity to use their teaching skills within the community. This strategy focused on educating parents about the physical plant needs of their children's schools. It also enabled the school district to win this historic ballot issue by 140,254 affirmative votes (61 percent) to 90,804 negative votes (39 percent.)

Recognizing during the early stages of the campaign that the ballot issue, also known as Proposal S, could be won by focusing on the parents of the district's 171,000 students, DPS disseminated information on a continuous basis—daily and weekly. A campaign

continued to page 27

Capital Campaign continued from page 26

handbook, developed by the district's Governmental Relations Office, outlined steps that could—and could not—be taken by local schools regarding the ballot issue. For instance, school employees could present facts and basic information; however, they could not urge Detroit's citizenry to vote "yes" or "no."

Additional campaign suggestions from the handbook included conducting art and essay contests, hosting parent and community tours, initiating conversations with local clergy, displaying "Get Out and Vote" signs, holding senior citizen events in banks, and creating a Bond Campaign Information Site. On this site, posters were displayed with information about the physical plant needs of each of Detroit's 259 schools (elementary, middle, and high schools, along with special education and other schools). Additionally, a voter's registration booth was set up, copies of the ballot question were displayed, and newsletters, question-and-answer documents, coloring books, and other "take home" items were made available in quantity.

Responsibilities were assigned on a school-by-school basis. Each of the 169 elementary schools was responsible for identifying and sharing with 400 voters in the school attendance area, each of the 45 middle schools was responsible for identifying 700 voters, and each of the 28 high schools was responsible for identifying 1,000 voters.

Weekly meetings were held with staff outlining tasks that could be performed. During a meeting with the coaches, it was suggested that information could be distributed during football games. Another idea was to use the score boards and halftime to share information about the condition of many school buildings.

One of the truly unique features of this campaign is that it affected *every school.* District administrators learned from its Clean, Safe, and Healthy Schools Task Force that the entire educational system had reached a stage where our educational facilities needed flexibility for different activities, expansive wiring and infrastructure improvements to accommodate computers, and other technological requirements, as well as new space for the kinds of programs that simply did not exist when the buildings were constructed. At the same time, new programs were online and new efforts were being developed to address the ninth grade dropout problem.

It has been 65 years since Detroit had an ample budget to repair, renovate, and build schools for its children. Think about it: The last time the school system had ample funds, Herbert Hoover was President of the United States!

For the first time in the school district's history, both registered architects on staff and professional engineers from the outside technically assessed each of the 259 buildings. Local school staff and parents from each school also participated in the assessment process.

During our press conference the day after the election, Detroit's citizens were reminded: "With the passage of Proposal S, the $1.5 billion bond authorization puts children first and gives us an extraordinary and unique opportunity in the history of the school district to make sure that our students are learning in a 'first-class' environment."

Ohio

Cleveland, Ohio

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Demographics/Economics: The Cleveland City School District is independent of the city government and must raise its own local revenue through property tax levies. The local revenue is in addition to basic state aid. The local tax levies all require voter approval. The last operating levy was passed in 1983; a proposed levy in May 1994 was defeated by a 3 to 2 margin; another levy voted on November 8, 1994, did not pass (bond defeated by 12,000 votes—55% to 45%). The city, in general, has been in transition from a heavy manufacturing base to a service base. Based on Census data, the following statistics for the city are particularly relevant:

Change Between 1980 and 1990 (%)	
Population	-11.9%
Median Family Income (adjusted for inflation)	-17.9%
Children in Poverty (ages 5-17)	+37.9%
Families with Children (ages 5-17) Headed by Female	+90.5%
Families with Children (ages 5-17) Headed by Female Living in Poverty	+93.9%

Considering the demographic statistics above, it must also be recognized that revenue growth to support the general education program has been static over the last five years. Average annual growth has been approximately 0.5% to 1.0% per year. A state statute, H.B. 920, eliminates any inflationary growth in real property taxes resulting from increases in assessed valuation caused by market conditions. In effect, legal constraints and a lack of revenue growth force the district to exist under a set of unrealistic economic conditions that keep revenue growth below the general level of inflation. In addition, tax abatements awarded by other governments (e.g., the city and county) affect the tax base. The District has no control over the abatements; in general, the community benefits but the district pays the price.

Presented below are selected Census and district data for 1990 for the city and the district:	
Median Family Income	$22,448
Ages 5-17 in Poverty	41.5%
Households on Public Assistance	21.9%
Public School Students Living in Households Receiving AFDC	64.9%

Not unlike many other urban districts, Cleveland has high concentrations of poor, disadvantaged students; they are predominantly minority and the district has an increasingly aging infrastructure. In effect, the district's students have substantial educational and human services needs and an inadequate revenue structure to support those needs.

Solutions: Innovation under these circumstances is difficult, if not impossible. However, some positive actions have been taken. First, the new Superintendent led the development of a strategic education plan that involved 28 work teams from the district, parents, teachers, community, and business. Second, a financial stabilization program was implemented, which lead to (1) budget reductions of $80 million over two years, (2) staff reductions of more than 500 positions this year, (3) health care cost sharing, (4) a one-year wage freeze, and (5) reductions of 485 central office positions (-47%).

In addition, a plan for a uniform grade structure was implemented, a middle school concept was instituted to provide for core teaching teams and a common planning period, one management level in the central office was eliminated, and parents have been given increased choices between different types of community model schools and magnet schools. More emphasis is being placed on first grade reading, senior high math and science, and state proficiency test intervention.

Those changes and innovations began over the last 12 to 18 months and will continue to be phased in over the next three to four years.

Benefits: It is too soon to tell. The financial reductions were necessary for survival. However, it is important to note that an assessment mechanism and process composed of independent participants has been established to monitor benchmarks and progress against defined education objectives.

Wisconsin

LaCrosse, Wisconsin

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Demographics/Economics: The state has placed a budget cap on appropriations for education that apply across the entire state and, as a result, limits the amount of dollars that can be raised without going to a referendum. Thus, funds are more limited than they used to be when there was no cap on the amount of dollars levied for education without going to a referendum. Additionally, as in most urban areas, there is more of a two-tiered economic lifestyle between those who have wherewithal financially and those who don't. The latter are growing in number in the school district.

Recent Developments in Cleveland

by Robert C. Hacking, Budget Director, Cleveland City School District

In early March, the federal judge overseeing the district's desegregation program issued an order directing the State Superintendent to assume supervision of the operational, fiscal, and personnel management of the district. The State Superintendent also was directed to expedite a loan of $29.5 million to help fund continuing operations. As part of the order, the Cleveland City School District has been directed to identify 14 buildings that should be closed.

The State Superintendent has outlined two broad objectives in addition to securing the $29.5 million loan: (1) a reorganization of the administrative structure and staffing, and (2) assessment and improvement of district operations in six broad areas:

- financial stability
- management and operational systems
- remedial order compliance
- facilities utilization
- safety of children
- strategic education plan implementation

with 31 percent of the youngsters on free lunch. Additionally, 80 percent of the population no longer has children directly connected with the public schools, resulting in less interest and understanding of the requirements that are necessary to produce a high-quality educational program. In overall demographics, there is a significant immigrant population in the community. Ten years ago, there was essentially no minority population in La Crosse, and now it's 16 percent—primarily Asians trying to make the transition from one culture to another, with the attendant problem of poverty.

Again, the budget cap employed at the state level limits the amount of dollars that can be raised without going to a referendum. Additionally, the aging population, a population that has fewer and fewer children in the public schools, combined with a more diverse population with a broader range of needs, challenges the school system to deliver more programs with less funds.

The goal is to prepare youngsters for a world in which there will be socioeconomic diversity. The educational progress needs to intermingle those youngsters throughout their school years.

Solutions: The major change initiated was to redistrict the 11 elementary schools along socioeconomic lines to achieve more of a socioeconomic balance—the idea being that before redistricting we had some schools with 4 percent of their population on free lunch and others with 70 percent. The goal was to distribute the socioeconomic diversity through the school district's 11 schools. The idea was that in a society that talks about multiculturalism and diversity, one of the most critical and overlooked elements of diversity is economic diversity.

The goal is to prepare youngsters for a world in which there will be socioeconomic diversity. The educational progress needs to intermingle those youngsters throughout their school years.

Schools that did not have an active, serious parent-teacher organization now do have one, because they have parents that are aware and have the wherewithal and understanding to know how to go about getting what they want for their youngsters.

Benefits: Schools that did not have an active, serious parent-teacher organization now do have one, because they have parents that are aware and have the wherewithal and understanding to know how to go about getting what they want for their youngsters. Teachers report that in classrooms with an economically diverse population more focus can be given to talking about issues that face us academically and socially. These benefits do not come without cost, as there was much upheaval in the school district as a result of socioeconomic realignment—although this upheaval seems to be past. In a survey of parents with children in these schools, 65 percent indicated that they now favor the concept of socioeconomic balancing of schools.

Guest Commentaries

Editor's Note: *This section contains short guest commentaries on the information in the previous sections. The comments were invited to reflect the individual perspectives of the authors. Stephens and Harsbargen approach their pieces from a global perspective; Laine and Hinrichs, as well as Marx, primarily express a state-level viewpoint; and Haselow and Jasna speak from the urban district level. The comments tend to be direct and to-the-point, and therefore may be controversial to some readers. In any case, they reflect the concerns and hopes of the authors, along with their experiences and expertise.*

Despite the Gloomy Scenario, the Future May Hold Some Surprises

by E. Robert Stephens, Institute for Regional and Rural Studies in Education

There seems to be little disagreement with James Ward's thesis in the *Overview* section of this *Brief* that the future prospects for public school financing are not at all promising. He clearly outlines a number of the important and converging socioeconomic trends that support his thesis. Funding for elementary-secondary education typically accounts for the largest percentage of the budgets of local and state government. This high visibility makes public school finance a prime target for other public services seeking greater support and is the "natural" initial focus of those anxious to improve the efficiency of government or effect taxpayer relief. Therefore, the combination of negative socioeconomic trends and the high visibility of elementary-secondary financing may very well threaten public school interests.

The national debate over the role of the federal government in welfare and education is likely to add to the difficulties of funding public education. Though Congress has yet to act, there appears to be substantial bipartisan support for delegating to the states primary responsibility for welfare and reducing the federal presence in education. Should these developments occur, as is highly likely, then Ward's concern about the growing competition for tax dollars is further supported. His concern seems especially relevant if, for example, federal welfare grants to the states represent a significantly reduced level. Another potential threat to school financing is that big-ticket federal education training programs could come to the states as block grants and be administratively lodged in governors' offices, where, perhaps of necessity, political considerations—not educational ones—tend to prevail.

The growing use of some form of adequacy criterion as a test of the constitutionality of state funding formulas is encouraging.

Despite this gloomy scenario, however, the future may hold some surprises. For example, I continue to hold out hope that the concept of opportunity-to-learn standards has such persuasive logic that it will be increasingly supported—if not in the policy communities, then by the courts. The growing use of some form of adequacy criterion as a test of the constitutionality of state funding formulas is encouraging. For its use would seem to ask the same type of question as opportunity-to-learn standards do: Are students provided the prerequisites deemed necessary to achieve some specified measure of academic success? Moreover, the increasing emphasis in policy communities in aligning state funding practices with reform initiatives is also a promising development.

The responses to NCREL's four lead questions were especially interesting. A number of common themes seem to be cited in the two lists, irrespective of urban or rural orientation. The need to reach out and form new partnerships, for example, was expressed in many ways. Collaboration in program delivery is another common thread. The recognition of the absolute need to engage in strategic planning was identified as a third prominent solution. Though many of the specific responses probably can be initiated locally, others—

especially those that I would view as the most promising long-term remedies—would ordinarily require some form of enabling state legislation and perhaps state incentives as well. This observation strikes me as one of the most important in this interesting study by NCREL.

E. Robert Stephens is director of the Institute for Regional and Rural Studies in Education, Edmond, Oklahoma. He is well known nationally for his writing, research, and consulting in education, particularly in the areas of rural education, intermediate service delivery systems, educational policy, and finance. He is a former professor of education policy, planning, and administration in the University of Maryland's College of Education.

Educators and policymakers can work together to create a stronger, better-supported public school system by encouraging collaboration, performance standards, and innovation.

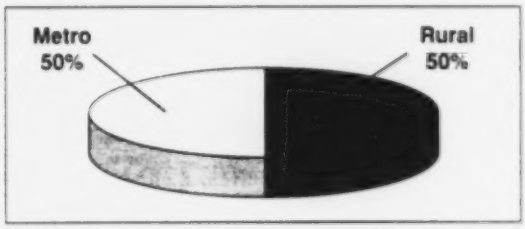
The Vision: Collaboration, Standards, Technology

by Vernae Hasbargen, Executive Director, Minnesota Rural Education Association

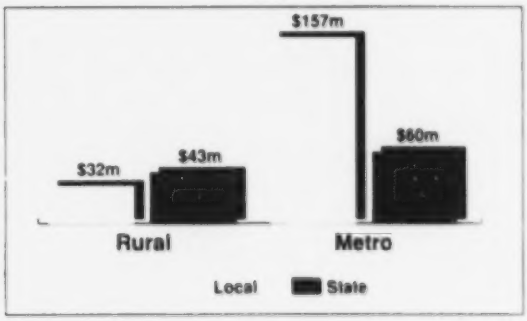
Dr. James G. Ward concludes his essay on the demographic and economic changes facing American schools by stating that public school financing faces "a bleak future." He attributes this future to factors such as increasing minority enrollment, poverty, income disparities, and an aging population, as well as uneven distribution of technology and changing labor markets. All of these factors are present in both Minnesota's urban and rural school districts, and they are putting a strain on school funding. But the future of public school financing need not be entirely bleak. Educators and policymakers can work together to create a stronger, better-supported public school system by encouraging collaboration, performance standards, and innovation.

Collaboration is crucial to the future of public school funding. Minnesota has begun working on crucial educational partnerships among educators, between units of government, and between the educational and business communities. In Minnesota, where the division between urban and rural schools occasionally takes on epic proportions, more educators are speaking with one voice for all students, believing it will strengthen support for public schools and public school funding.

Where Are Minnesota's Students Located?



Who Picks Up The Tab?



Where Is Referendum Revenue Raised?

Source: Minnesota Rural Education Association 1/95

State policymakers, too, are encouraging collaboration by tying state facilities grants to provisions for joint delivery of services to students and their families, thereby avoiding costly duplication of services. Minnesota's business community also is working to improve support for public education, having formed several important business-education-policymaking coalitions to propose reforms in the educational and education funding systems.

Technology is the partial answer to greater innovation and efficiency in public schools. It will allow increased staff and student productivity, as it has in other industries, as well as greater personalization of instruction and achievement tracking.

These coalitions have recommended several changes, including moving to an educational system whose success is measured on student performance. This new system will hold students, staffs, and districts accountable for public funding by setting measurable standards for student performance, with results being shared with local residents annually. Those districts that can show that their education dollars have resulted in high student performance will build confidence in the public education system. This confidence will create a more positive atmosphere for future funding requests.

That those funds will be limited is a given, so districts must become more innovative and efficient. Technology is the partial answer to greater innovation and efficiency in public schools. It will allow increased staff and student productivity, as it has in other industries, as well as greater personalization of instruction and achievement tracking.

But before districts begin incorporating new technologies and other innovations into their classrooms, they must first have a vision for the future. Long-range planning must occur at the local, state, regional, and federal levels and must result in a vision that ensures that American students will be able to compete in a global society both now and in the future. In Minnesota, small steps have been taken toward creating a long-range vision for public education. This vision includes greater collaboration, performance standards for students, and uniform access to educational technology. These three items, many believe, not only will help the state combat its limited educational resources, but also strengthen Minnesota's public education system.

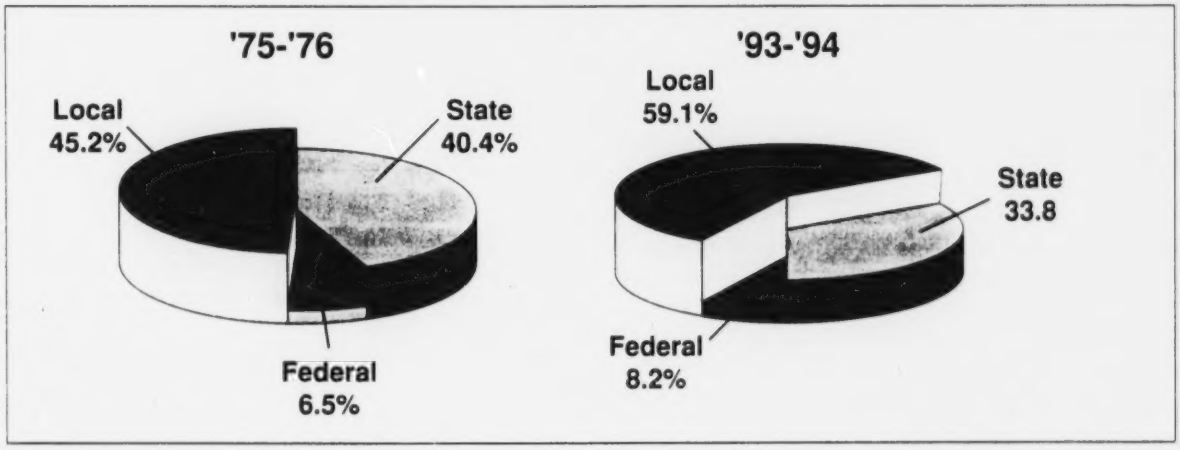
Vernae Hasbargen is a farmer, former teacher, and school board member. Hasbargen has directed the Minnesota Rural Education Association (MREA) since 1990. In that role, she also serves as the association's spokesperson and lobbyist. The MREA represents almost one-half of Minnesota's school districts and is governed by board members, administrators, teachers, service providers, higher education representatives, and parents. Its goal is to strengthen education in Minnesota through legislative action, communication, and collaboration.

Funding High-Quality Public Education: The Illinois Dilemma

by Richard D. Laine and William L. Hinrichs, Illinois State Board of Education

Like many of its neighboring states, Illinois is confronted with an education funding system that is crumbling under the weight of an outdated and inefficient system of taxation. Relying too much on the local property tax, the system is viewed as not being connected to student achievement and is struggling to meet the rapidly increasing costs of providing for the educational needs of today's children. The system of funding public education was built in a different era for a different society. Restructuring the education funding system can—and must—serve as a catalyst for the improvement of public education for generations of students to come.

Federal, State and Local Shares of Total Spending on Illinois Elementary and Secondary Schools.



Source: Illinois State Board of Education

Proposed solutions to this vexing problem have proven to be divisive both politically and geographically. For those with a parochial and short-sighted vision for Illinois's future, any solution to the current inadequacy and inequity in school funding must include property tax relief, allow no "leveling down" or reduction in the per pupil spending for any student in the state, and require no new taxes. While this solution sounds good because neither students nor taxpayers would be losers, it is impossible to obtain.

Illinois must ask itself whether or not it views education as one of the cornerstones of its future economic growth and success.

The legislature faces a situation in which its own Task Force on School Finance concluded that 80 percent of the state's students lack the resources for an adequate education. Per pupil expenditures range from under $3,000 to more than $11,000; the local property tax base provides nearly 60 percent of all education dollars in the state and the current state budget is already operating well beyond its means. Thus, any solution with no losers is impossible to achieve. Unfortunately, waiting and doing nothing has its own losers. The status quo is penalizing students attending schools that lack the necessary resources to provide high-quality educational opportunities. In addition, local property taxpayers, especially those on fixed incomes, continue to bear an excessive burden of supporting public education in the current system.

Getting out of this difficult predicament will require some hard answers to some very basic questions. Illinois must ask itself whether or not it views education as one of the cornerstones of its future economic growth and success. If the answer is yes, the state must then ponder the question of whether the state, rather than the local property taxpayer, has the final responsibility to ensure that all children have access to high-quality educational opportunities. If the answer is again yes, the state must then create both the supporting educational infrastructure and a funding system by which local educators can provide high-quality educational opportunities for every child in Illinois.

If ensuring a high-quality education for every child is to be a state responsibility, a vision that begins to link high student standards and expectations with a locally driven educational system is absolutely necessary. This vision also must have the human and technical capacity for success and support from a funding system that provides long-term adequacy, equity, and stability. Such a vision was outlined in State Superintendent Joseph A. Spagnolo's concept paper, the *Quality Schools Initiative* (QSI). This concept paper proposes a framework for the enhanced integration of all levels of education in order to enhance each individual's ability to be a lifelong learner. The QSI is premised on the following three foundations: (1) establishing high student standards, a strong assessment mechanism geared toward improvement, and an accountability system that holds local educators responsible for the education of students; (2) reforming the process of education by removing the barriers to learning and ensuring that the teachers and the system have the capacity, skill, knowledge, time, and resources necessary to succeed; and (3) developing a stable and predictable funding system that provides equitable access to the resources necessary to provide high-quality educational opportunities for every student.

If ensuring a high-quality education for every child is to be a state responsibility, a vision that begins to link high student standards and expectations with a locally driven educational system is absolutely necessary.

The *Quality Schools Initiative* attempts to frame the issue of school finance reform as the lever of broader educational reform, rather than an end in itself. This approach, using school finance reform as an intermediate tool to enhance the quality of public education throughout the state, will be one of the cornerstones of the continued improvement of education in Illinois.

Richard D. Laine was recently appointed associate superintendent of policy planning and research for the Illinois State Board of Education (ISBE). Prior to his position at ISBE, he was the executive director of the Coalition for Educational Rights, the only statewide organization in Illinois dedicated to reforming the current education funding system. He was also the executive secretary of the Committee for Educational Rights, an organization comprising 75 school districts (representing more than 600,000 children in Illinois). The Committee is bringing a legal challenge to the constitutionality of Illinois's public education funding system. Laine recently co-authored the article, "Does Money Matter? A Meta-Analysis of Studies of the Effects of Differential School Input on Student Outcomes," which appeared in the April Educational Researcher, with Larry Hedges and Rob Greenwald, both at the University of Chicago. He is working on his doctorate in the Department of Education at the University of Chicago.

William L. Hinrichs received his Ph.D. from Illinois State University in 1982. His research dealt primarily with school finance equity and the equity effects of school district consolidation. A former teacher and school district administrator, Dr. Hinrichs has been with the Illinois State Board of Education since 1986. His primary duty is conducting school finance research, serving as primary staff to the Illinois Task Force on School Finance. Beginning in February 1992, he served as manager of reimbursements for the Illinois State Board of Education and recently returned to his duties in the area of school finance research.

Rural and Urban Contrasts Still Lead to a Shared Reality

by William Marx, Fiscal Analyst, Minnesota House of Representatives

Editor's Note: *While William Marx focuses his comments on Minnesota information, he feels that the issues apply to other states as well.*

Minnesota has 382 school districts. Over 55 percent of the state's students are in the 42 largest school districts. Roughly half of the state's population is located in a seven-county metropolitan area (Minnesota has 87 counties). The state's K-12 enrollment has been growing at 1-1/2 to 2 percent per year. In general, rural school district enrollments are declining and enrollments are growing in the St. Cloud-to-Rochester corridor that includes the metropolitan area.

A number of contrasting statements can be made about rural and metropolitan school districts:

- Metropolitan districts need more space to handle more students.
- Rural districts have fewer students every year.
- Metropolitan districts are building new facilities, reopening and renovating others.
- Rural districts are closing facilities, combining programs, and consolidating.
- Most metropolitan districts have large class sizes and higher teacher salaries.
- Rural districts have small class sizes and lower teacher salaries.
- Some metropolitan districts are refusing to accept students who want to come in under open enrollment programs because of a lack of space.
- Rural districts are happy to accept any students; few have any space problems, and if they do it is because the space is unsafe.
- Inner metropolitan districts have increasing numbers of minority students.
- Most rural districts have few minority students.
- Some metropolitan districts are planning to build new facilities to handle enrollment growth and facilitate integration.
- Most rural districts are cooperating, using technology, and sharing staff and facilities to continue to offer opportunities for students.

Minnesota's funding formulas acknowledge some of the differences in school districts. About $8 million of sparsity revenue goes to school districts that are small and isolated—districts where cooperation or consolidation would be impractical. Districts implementing desegregation plans receive about $37 million in additional revenue for additional program costs.

Compensatory education revenue of $104 million is distributed to school districts based on the number of students from families receiving AFDC (Aid to Families with Dependent Children) in the district.

In recent years, funding increases have not kept up with expenditure increases. The search for extra dollars has used up most district fund balances and has caused districts to reduce program offerings.

Districts with more senior staff receive about $95 million in training and experience (T&E) revenue to recognize that senior staff are paid more. At one time, T&E revenue was almost exclusively metropolitan-area funding; now, it is not unusual for a rural district to receive just as much T&E revenue per pupil as a metropolitan district.

While there are a number of contrasts in the situations of metropolitan and rural districts, they all must deal with similar issues as well. In recent years, funding

increases have not kept up with expenditure increases. The search for extra dollars has used up most district fund balances and has caused districts to reduce program offerings.

State law now makes it more difficult for many districts to pass excess levies (additional voter approved funding for program purposes) even though the state aid now pays a portion of that funding in most districts. Some districts are facing substantial reductions in revenue when the renewal of an excess levy fails.

The graduation standard raises what is probably the toughest issue facing public schools—the continual "nagging" that schools no longer do a good job.

Minnesota is in the process of developing a statewide graduation standard that will specify the results expected of students rather than the courses the students must have taken to graduate. Some districts see such a standard as an opportunity to restructure the way they offer education. Rather than struggling to find ways to offer the appropriate number of hours of the required courses and a decent number of electives, schools could design course offerings that meet student requirements in a more creative manner.

The graduation standard raises what is probably the toughest issue facing public schools—the continual "nagging" that schools no longer do a good job. Until there is some general agreement on an accountability standard for schools, obtaining additional funding for education in these "no tax increase" times will be extremely difficult.

William Marx is a fiscal analyst for the Minnesota House of Representatives' Ways and Means Committee, assigned to education. He is a regular feature writer for the "Jola Education Monthly" and is active in the multi-state Legislative Education Staff Network (LESN).

Finance in Education

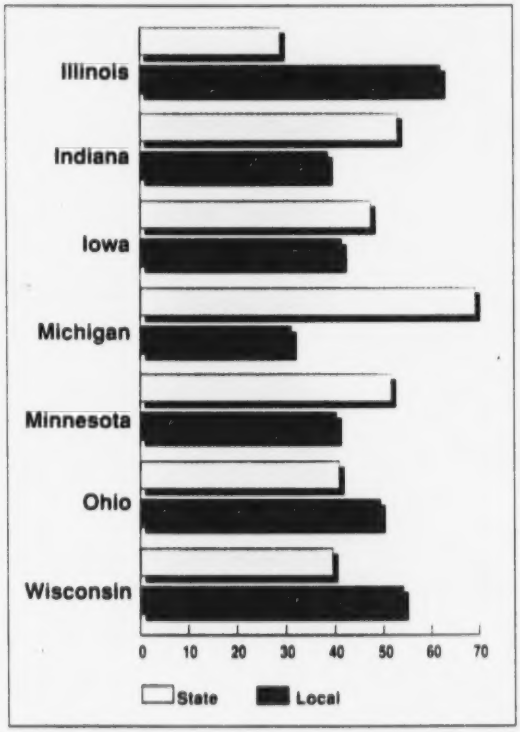
by Douglas Haselow and Robert C. Jasna, Milwaukee Public Schools

"Where will the dollars come from to support public education?" The question has been asked time and time again, and it becomes even more significant when it is raised in large urban areas, where the impact of changing social conditions and economics has been felt the most. It is from this perspective that we would like to present the financial issues affecting the Milwaukee Public Schools and look at a possible solution expressed by a state group known as the Association for Equity in Funding.

The 1993 Legislature committed Wisconsin to a level of school aid funding for 1996-97 to cover two-thirds of school costs. In order to meet this commitment, the Governor's budget proposed an increase in funding of nearly $1 billion. We are now at the crossroads in determining whether the additional state dollars are intended to reduce school property taxes for all districts, regardless of relative wealth, or to create a school finance system that provides financial equity among all school districts and ensures equal educational opportunity for all children. The Association for Equity in Funding was established to accomplish the latter goal. We believe that in order to do so the legislature should (1) distribute all funds to school districts through an equalized aid formula that equalizes property wealth, categorical aids, and property tax credits and (2) target additional funds to populations with additional equalized aid weighing.

The Association represents school districts ranging in size from small, rural districts to the Milwaukee School District, the state's largest urban school district. To date, 150 of 427 districts are members of the Association. The belief statements of the group are very clear. Highlighted below are some examples:

Sources of Revenue for Education-NCREL Region



Adapted from the National Center for Education Statistics

- Article X, Section 3, of the Wisconsin Constitution requires that the legislature provide for the establishment of district schools that are as nearly uniform as practicable.
- Financial equity is crucial in the pursuit of excellence in education, since there is a positive correlation between the quality of education and the funding available.

Financial equity is crucial in the pursuit of excellence in education, since there is a positive correlation between the quality of education and the funding available.

- The current system of funding does not ensure that all school districts have an equal ability to fund education equitably for all children. The state should ensure that all children are provided with an equal educational opportunity and that adequate funds are available to meet educational needs for every child.
- The current system of school funding results in wide disparities in the burden on property owners for financing schools. The state should assure an equitable tax effort for property tax payers to provide resources for the education of our children. School districts with the same per-pupil cost should make the same tax effort.
- In order to improve equity among school districts, state limits on school district costs or revenues should narrow the per pupil spending disparities among districts rather than allow them to widen.

Although the state Constitution states that "the establishment of district schools shall be . . . *as nearly uniform as practicable*" (emphasis added), there is a wide variance in the cost per pupil and in the property tax rates paid by property owners to support public schools. Complete annual school costs in 1993-94 ranged from $4,264 per student to $10,293 per student, while property tax rates ranged from $5.94 per thousand of valuation to $30.00 per thousand. Furthermore, the district with the highest property tax rate could not provide as much for its children as the district with the lowest property tax rate.

A closer look at the variations in cost per pupil reveals that districts with higher tax bases are spending more while expending less effort than districts whose property values are below the state guarantee. As a group, the K-12 school districts with high property values (those in which property values exceed the state guarantee, in contrast to the districts that depend on equalized aid) spent about $1,000 more per pupil at a lower property tax rate. To reach the extra $1,000 spent per pupil by "property rich" districts, the equalized aid districts would have had to increase their property tax rate by about $5.00 per thousand of valuation.

These numbers highlight a growing concern about the fairness in funding of elementary and secondary education. Because the system now depends on property taxes as its major source of funding (and will continue to depend on property taxes as a major source when aids cover two-thirds of costs), the system should recognize the great variation in the property tax base per member among school districts. A fair system would establish a guaranteed tax base for every pupil, which would result in equal tax effort to fund equal expenditures per member. It is imperative that the current inequities be addressed so that every child in our state has an adequate amount of resources to fund an appropriate educational program for them.

The high reliance on the local property tax base and inadequate state funding of equalized aid have contributed to an intolerable situation wherein a child's education is in jeopardy due to the lack of adequate resources to support a quality program.

The high reliance on the local property tax base and inadequate state funding of equalized aid have contributed to an intolerable situation wherein a child's education is in jeopardy due to the lack of adequate resources to support a quality program. In addition, the existence of other school aid programs that do not consider relative property wealth has contributed to disparities for both children and property owners. This situation raises a serious question about whether the state is meeting its constitutional responsibility to ensure that districts are "as nearly uniform as practicable."

Equity in funding will become increasingly important to poor rural and urban districts. Many factors create inequalities in school funding. The distribution of funds ignores the variation in the tax base behind each pupil, which, in turn, contributes to the inequity between property rich and property poor school districts. All factors that lead to inequities should be eliminated and all aid and tax credit payments to school districts should be equalized. The Association for Equity in Funding has proposed such a system and is preparing for litigation in the event that the legislature does not enact it.

Equity in funding will become increasingly important to poor rural and urban districts.

Douglas Haselow, chief lobbyist, has been with the Milwaukee Public Schools (MPS) since 1985. He represents the interests of MPS at all levels of government and maintains working relationships with political, government, business, and community leaders.

Robert Jasna has been with the Milwaukee Public Schools (MPS) for 33 years, serving as deputy superintendent for the past 4 years. He has extensive knowledge and experience in administrative leadership and management and an excellent record in upgrading educational programs in MPS.

Editor's Note: *The following chart was developed from the responses to the rural and urban surveys. The solutions (or responses) to the surveys were grouped according to major categories for the purpose of comparison and contrast. The categories are arbitrary (for instance, another way to look at the responses would be to use the following: programmatic, staffing, funds, planning, and organizational or structural). The chart gives a quick overview of the problems and attempted solutions. It also organizes the similarities and differences in rural and urban areas.*

Solutions to Demographic/Economic Changes in Urban and Rural Areas

General Category	Urban-Specific Solutions	Rural-Specific Solutions
New Funding Sources	▪ apply for school change grants and urban ed grants ▪ funds from Lilly Foundation ▪ schools actively recruit resources from community, business, foundations ▪ grants ▪ district personnel sought state grants for staff development and curriculum revision ▪ promotion of private contributions/endowments ▪ passed bond to be used for renovation, new buildings, and increased technology ▪ tax referendum ▪ state funding for staff development to train in certain instructional and assessment practices	▪ grants for transition of Head Start to KG and 1st grade ▪ private funds ▪ establish educational foundation ▪ grant writing ▪ referenda, levy override, excess levies, bond issue ▪ sell bonds ▪ fund raisers
Cost Control	▪ financial stabilization program implemented ▪ budget reductions ▪ use same teachers for different subjects ▪ reduce central office staff size ▪ one management level in central office eliminated ▪ staff reductions ▪ one-year wage freeze	▪ reduce staff/consolidate teachers ▪ whole grade sharing ▪ reconfigure grades/closing buildings to save dollars ▪ close schools/consolidation/state new school grants ▪ share staff and administrators ▪ restructure administrative responsibilities
New Services Programs	▪ schools of choice to meet students' needs ▪ more emphasis on 1st grade reading, senior high math and science, and state proficiency testing ▪ tech-prep curriculum ▪ student motivational, after school, and other innovative programs created ▪ district mentor program for role models ▪ Reading Recovery instituted ▪ Chapter 1 schoolwide programs ▪ increased KG and Early Childhood Programs	▪ open enrollment ▪ new courses and programming options ▪ improved learning programs to attract students ▪ develop at-risk programs ▪ new counselors, social workers ▪ increase special ed services ▪ grants for transition of head-start to KG and 1st grade ▪ technology/distance learning

General Category	Urban-Specific Solutions	Rural-Specific Solutions
Efforts to Improve Instruction and Learning for All	▪ independent assessment mechanism and process established to monitor progress toward defined objectives ▪ prepare students in the classroom for diversity ▪ target focus areas ▪ emphasize improving attendance and graduation rate ▪ funding for staff development in certain instructional and assessment practices ▪ new curriculum strategies for needs of 25-75 percentile students ▪ district personnel sought grants for staff development and curriculum revision	▪ long-range planning and assessment committee ▪ performance contracting ▪ studying at-risk ▪ new courses and programming options ▪ improved learning programs to attract students ▪ developing at-risk programs
Organization/ Governance Change	▪ team-teaching, common planning ▪ schools make own decisions about programming ▪ use same teachers for different subjects ▪ middle school concept instituted to provide for core teaching teams and common planning period ▪ reduce central office staff size ▪ one management level in central office eliminated ▪ staff reductions	▪ dedicated staff ▪ reduce staff/consolidate teachers ▪ whole grade sharing ▪ reconfigure grades/closing buildings to save dollars ▪ teacher empowerment ▪ close schools/consolidation/state new school grants ▪ share staff and administrators ▪ restructure administrative responsibilities
Planning Processes	▪ 5-year financial plan ▪ redistrict for better socioeconomic balance ▪ consistent K-5 grade structure plan throughout district ▪ independent assessment mechanism and process established to monitor progress toward defined objectives ▪ clean, safe, and healthy schools task force created ▪ community school financing committee ▪ financial stabilization program implemented ▪ part-time staff to seek funding/support ▪ community school financing committee	▪ performance contracting ▪ long-range planning and assessment committee ▪ school consultant planners ▪ studying at-risk
Building Improvement and Safety	▪ see passed bond below ▪ passed bond to be used for renovation, new buildings, and technology ▪ clean, safe, and healthy schools task force created	▪ building capacity for technology/distance learning

General Category	Urban-Specific Solutions	Rural-Specific Solutions
Parental & Community Involvement	▪ parents given increased choices between different types of schools ▪ Full-Service Schools ▪ Open Access Policy-open school to community for meetings and recreation ▪ Options and Opportunity Fair to increase publicity and community awareness ▪ community school financing committee ▪ clean, safe, and healthy schools task force ▪ strategic education plan involving teams from district, parents, teachers, business, and community ▪ schools actively recruiting resources from the community, business, foundations ▪ business-education partnerships (John Deere) ▪ partnerships with hospitals and businesses	▪ attract new families with home bonds ▪ new low-income housing ▪ educational forums by board members for the community ▪ public relations ▪ community help/innovations ▪ fund raisers ▪ linkages to other agencies ▪ business/industry help
Partnerships	▪ health care cost sharing ▪ Full-Service Schools	▪ share busing ▪ linkages to other agencies ▪ collaboration with other schools, consortia ▪ technology/distance learning ▪ business/industry help

Nancy Fulford, 1995

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Visit NCREL's New Internet Server

For more information on the topic of school finance, visit NCREL's *Pathways to School Improvement* server on the Internet at the following address:

http://www.ncrel.org/ncrel/sdrs/pathways.htm

The *Pathways* server contains a continuously updated research database on important topics in education, which are clustered into five major areas. The area named "Environment" includes a topic called "Governance/Organizational Management." It is there that you'll find "Redesigning School Finance: Moving the Money to the School."

To visit the *Pathways* server, you'll need access to the Internet and a World Wide Web browser, such as NCSA Mosaic or Netscape. Questions?

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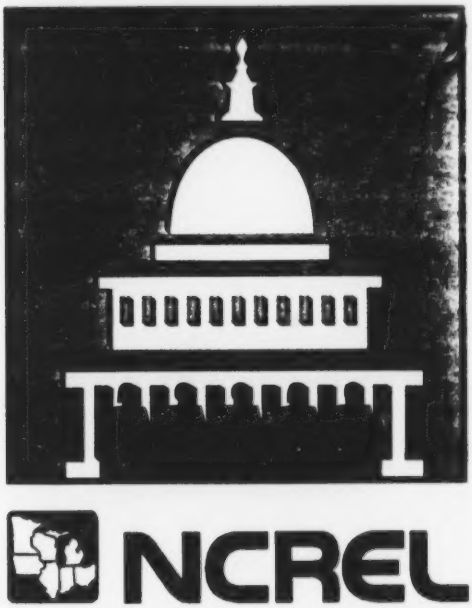

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